

ORIGINAL



0000096874

MEMORANDUM

TO: Docket Control

FROM: Ernest Johnson
Director
Utilities Division

EA for EGJ

DATE May 11, 2009

RE: **AMENDED STAFF REPORT FOR BEAVER DAM WATER COMPANY**
(DOCKET NOS. W-03067A-08-0380 AND W-03067A-08-0266)

Attached is the Amended Staff Report for Beaver Dam Water Company applications for a permanent rate increase and a financing approval. Staff recommends approval of its rates and charges as shown on Revised Schedule BCA-32. Staff further recommends approval of financing.

EGJ:BCA:tdp

Originator: Brendan C. Aladi

Arizona Corporation Commission

DOCKETED

MAY 11 2009

DOCKETED BY	<i>[Signature]</i>
-------------	--------------------

AZ CORP COMMISSION
DOCKET CONTROL

2009 MAY 11 P 4:49

RECEIVED

Service List for: Beaver Dam Water Company
Docket Nos. W-03067A-08-0380, et al

Robert Frisby
President, Beaver Dam Water Company
Post Office Box 550
Littlefield, Arizona 86432

Fran Moore
President, Beaver Dam Resort Homeowners Association
Post Office Box 1255
Beaver Dam, Arizona 86432

Patricia L. and Gene E. Litton
2787 Sierra Vista (Box 1127)
Beaver Dam, Arizona 86432

Ms. Janice Alward
Chief, Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Mr. Ernest G. Johnson
Director, Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Ms. Lyn Farmer
Chief, Hearing Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

**AMENDED STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION**

**BEAVER DAM WATER COMPANY
DOCKET NOS. W-03067A-08-0380 & W-03067A-08-0266**

**APPLICATION
FOR A
PERMANENT RATE INCREASE
AND
FINANCING AUTHORITY**

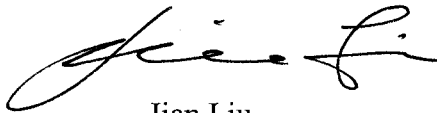
MAY 11, 2009

STAFF ACKNOWLEDGMENT

The Amended Staff Report for Beaver Dam Water Company (Docket Nos. W-03067A-08-0380 and W-03067A-08-0266) is the responsibility of the Staff members listed below. Brendan C. Aladi is responsible for the review and analysis of the permanent rate increase and financing authority applications, Staff's revenue requirement, rate base, rate design, and debt service capacity. Jian Liu is responsible for the engineering and technical analysis. Brad Morton is responsible for reviewing customer complaints filed with the Commission.



Brendan C. Aladi
Public Utilities Analyst III



Jian Liu
Utilities Engineer



Brad Morton
Public Utilities Consumer Analyst II

EXECUTIVE SUMMARY
BEAVER DAM WATER COMPANY
DOCKET NOS. W-03067A-08-0380 AND W-03067A-08-0266

Beaver Dam Water Company ("Beaver Dam or Company") is a for profit Arizona Class C public service corporation and is located in the extreme northwest corner of the State of Arizona in Mohave County. The Company provides water service to approximately 443 customers. The Company is not located in an Active Management Area ("AMA").

The Company's initial application proposed total operating revenue of \$500,172, an increase of \$288,577, or 136.38 percent over its test year revenue of \$211,595. The Company's proposed revenue, as filed, would provide an operating income of \$83,123 for an 8.68 percent rate of return on a rate base of \$957,636. The Company has two water systems with separate rates approved in Decision Nos. 55788 and 64662. The Company's requested rates, as filed, would increase the typical 5/8 x 3/4-inch meter residential bill (with a median usage of 7,000 gallons) by \$27.75, or 108.82 percent, from \$25.50 to \$53.25 for those customers subject to the rates approved in Decision No. 55788 as shown on Schedule BCA-33. For customers subject to the rates approved in Decision No. 64662, the Company's requested rates, as filed, would increase the typical 5/8 x 3/4-inch meter residential bill (with a median usage of 7,000 gallons) by \$31.55, or 145.39 percent, from \$21.70 to \$53.25 as shown on Schedule BCA-33.

The Company also requests authorization to obtain a long-term loan of \$104,283 at approximately 3.675 percent to finance additional storage capacity of 275,000 gallons for emergency backup and fire protection.

Staff filed its report ("Staff Report") in the docket on April 7, 2009, recommending total operating revenue of \$308,277. On April 16, 2009, the Company filed a response requesting changes to Staff's recommendation including a request to recover additional amounts for equipment, vehicles and health insurance.

At the hearing on May 4, 2009, the Administrative Law Judge ("ALJ") directed Staff and the Company to discuss a potential resolution over the appropriate recovery of equipment and to file their respective responses in two weeks. This report ("Amended Staff Report") presents Staff's revised position on the revenue requirement as the result of discussions with the Company. It is Staff's understanding that the Company is in agreement with the recommendations in the Amended Staff Report.

Subsequent to the hearing (April 29, 2009), Beaver Dam Development Corporation entered into agreements with Beaver Dam to lease a back hoe, a dump truck and a trailer for an aggregate annual lease cost of \$28,265. The Amended Staff Report includes these lease costs as operating expenses and recommends recovery of these costs.

Staff recommends total operating revenue of \$365,129, an increase of \$136,043, or 59.39 percent above the adjusted test year revenue of \$229,086. Staff's recommended revenues would provide an operating income of \$20,642 for an 8.00 percent rate of return on a rate base of

\$258,030 and produce a debt service coverage ratio ("DSC") of 2.70 on the current outstanding loan of \$161,325 and a new \$104,283 20-year amortizing loan at 3.675 percent. Staff's recommended rates would increase the typical 5/8 x 3/4-inch meter residential bill (with a median usage of 7,000 gallons) by \$18.80, or 73.73 percent, from \$25.50 to \$44.30 per month, for customers subject to the rates approved in Decision No. 55788 as shown on Schedule BCA-33. For customers subject to the rates approved in Decision No. 64662, Staff's recommended rates would increase the typical 5/8 x 3/4-inch meter residential bill (with a median usage of 7,000 gallons) by \$22.60, or 104.15 percent, from \$21.70 to \$44.30 as shown on Schedule BCA-33.

Staff's recommended rates and service charges are presented on Schedule BCA-32 of this report.

Staff reviewed the capital improvement projects the Company proposes to fund with its requested \$104,283 long-term debt authorization and found them to be appropriate and the cost estimates reasonable.

Staff concludes that the Company's issuance of a long-term amortizing loan of 18- to 20-years for the \$104,283 estimated cost of the capital improvements at a rate not to exceed 5.00 percent is appropriate, is within its corporate powers, is compatible with the public interest, would not impair its ability to provide services and would be consistent with sound financial practices.

Staff recommends:

- Approval of Staff's rates and charges as shown on Schedule BCA-32. In addition to collection of its regular rates and charges, the Company may collect from its customers a proportionate share of any privilege, sales or use tax per Commission Rule (14-2-409D.5).
- Approval of Staff's Service Line and Meter Installation Charges as shown in Table C of the Engineering Report (Attachment A).
- Authorization of the depreciation rates shown in Table B of the Engineering Report (Attachment A).
- That the Commission order Beaver Dam to maintain its records in accordance with the National Association of Regulatory Utility Commissioners ("NARUC") Uniform System of Accounts ("USOA").
- That the Company file with Docket Control, as a compliance item in this docket, a schedule of its approved rates and charges within 30 days after the Decision in this matter is issued.

- That the Commission authorize Beaver Dam to obtain an 18- to 20-year amortizing loan for an amount not to exceed \$104,283 at a rate not to exceed 5.00 percent to finance the Staff recommended capital improvements.
- That the Commission authorize the Company to encumber its assets pursuant to A.R.S. § 40-285 as necessary to secure the loan authorized herein.
- Authorizing Beaver Dam to engage in any transactions and to execute any documents necessary to effectuate the authorizations granted.
- That a copy of the executed loan documents be filed with Docket Control, as a Compliance item in this docket, within 60 days of the execution of any transactions.
- That Beaver Dam submit a copy of all Approvals to Construct and Approvals of Construction as they are obtained from Arizona Department of Environmental Quality ("ADEQ") for all projects covered by this financing within two years of the effective date of the order in this proceeding.

TABLE OF CONTENTS

	<u>PAGE</u>
RATE CASE.....	1
Fact Sheet.....	1
Summary of Filing	3
Background	4
Consumer Services.....	5
Engineering Analysis and Recommendations	5
Compliance	6
Rate Base	6
Operating Income Statement.....	7
Operating Revenue.....	7
Operating Expenses	7
Revenue Requirement.....	9
Rate Design.....	9
Staff Recommendations - Rates	11
FINANCING	12
Introduction.....	12
Public Notice.....	12
Purpose and Terms of the Proposed Financing.....	12
Engineering Analysis	12
Financial Analysis.....	12
Capital Structure	13
Interest and Debt Service Coverage.....	13
Conclusions and Recommendations - Financing.....	13

SCHEDULES

Revenue Requirement.....	BCA-1
Gross Revenue Conversion Factor.....	BCA-2
Rate Base – Original Cost.....	BCA-3
Summary of Rate Base Adjustments	BCA-4
Rate Base Adjustment #1 – Not Used.....	BCA-5
Rate Base Adjustment #2 – Remove Proposed Plant.....	BCA-6
Rate Base Adjustment #3 – Reclassify Operating Expenses to Plant	BCA-7
Rate Base Adjustment #4 – Reclassify CWIP to Plant.....	BCA-8
Rate Base Adjustment #5 – Add Supported Plant	BCA-9
Rate Base Adjustment #6 – Recognize Plant Assets Not Booked by the Company	BCA-10
Rate Base Adjustment #7 – Accumulated Amortization of CIAC.....	BCA-11
Rate Base Adjustment #8 – AIAC.....	BCA-12
Rate Base Adjustment #9 – Customer Meter Deposit	BCA-13
Rate Base Adjustment #10 – Accumulated Depreciation Expense.....	BCA-14
Rate Base Adjustment #11 – Working Capital Allowance	BCA-15
Operating Income Statement – Test Year and Staff Recommended.....	BCA-16
Summary of Operating Income Adjustments – Test Year	BCA-17
Operating Income Adjustment #1 – Normalization of Unmetered Water Revenues.....	BCA-18
Operating Income Adjustment #2 – Not Used.....	BCA-19
Operating Income Adjustment #3 – Reclassification of Repairs and Maintenance Expense to Plant	BCA-20
Operating Income Adjustment #4 – Reclassify Outside Services Expense to Plant.....	BCA-21
Operating Income Adjustment #5 – Remove Cost Not Necessary to Provision of Service to Existing Customization ..	BCA-22
Operating Income Adjustment #6 – Reclassify and Normalize Rate Case Expense	BCA-23
Operating Income Adjustment #7 – Reclassify Cost from Water Testing to Wells and Springs.....	BCA-24
Operating Income Adjustment #8 – Remove Unsupported Transportation Expense	BCA-25
Operating Income Adjustment #9 – Remove Unsupported General Liability Insurance Expense	BCA-26
Operating Income Adjustment #10 – Remove Inappropriate Miscellaneous	BCA-27
Operating Income Adjustment #11 – Depreciation Expense	BCA-28
Operating Income Adjustment #12 – Taxes other than Income.....	BCA-29
Operating Income Adjustment #13 – Property Tax Expense.....	BCA-30
Operating Income Adjustment #14 – Income Taxes.....	BCA-31
Rate Design.....	BCA-32
Typical Bill Analysis	BCA-33
WIFA Loan Financial Analysis	BCA-34
Cost of Capital Summary.....	BCA-35
Operating Income Adjustment #15 – Recognize Miscellaneous Expense.....	BCA-36
Operating Income Adjustment #16 – Recognize Health Insurance Expense.....	BCA-37
Operating Income Adjustment #17 – Recognition of Equipment Rental Expense	BCA-38

ATTACHMENTS

Engineering report for Rate Case.....	A
Engineering report for Financing.....	B

RATE CASE

Fact Sheet

Company:

Current Rates: Decision No. 55788, dated November 13, 1987; Decision No 64662, dated March 25, 2002; and Decision No. 47690, dated February 22, 1977.

Type of Ownership: Corporation

Location: The Company is located in the extreme northwest corner of the State of Arizona in Mohave County. The Company is not located in an Active Management Area ("AMA").

Rates:

Permanent rate increase application filed: July 23, 2008.

Current test year ended: December 31, 2007.

Prior test year ended: CC&N granted November 13, 1987.

Monthly Charges:

	Current Rates <u>Dec. No.</u> <u>55788</u>	Company Proposed Rates	Staff Recommended Rates
Monthly Minimum Charge 5/8 x 3/4 – inch meter	\$15.00	\$30.00	\$27.50
Gallons in Minimum	0	0	0
Commodity Charge: (Per 1,000 gallons	\$1.50		
0 to 4,000 gallons (per 1,000 gallons)		\$3.00	
4,000 to 7,000 gallons (per 1,000 gallons)		\$3.75	
Over 7,000 gallons (per 1,000 gallons)		\$4.75	
0 to 5,000 gallons (per 1,000 gallons)			\$2.10
5,001 to 12,000 gallons (per 1,000 gallons)			\$3.15
Over 12,000 gallons (per 1,000 gallons)			\$3.75

Typical residential bill:

	Current Rates	Company Proposed <u>Rates</u>	Staff Recommended <u>Rates</u>
Average use (15,279 gallons)	\$37.92	\$92.58	\$72.35
Median use (7,000 gallons)	\$25.50	\$53.25	\$44.30

	Current <u>Rates</u> Dec. No. <u>64662</u>	Company Proposed <u>Rates</u>	Staff Recommended <u>Rates</u>
--	---	-------------------------------------	--------------------------------------

Monthly Minimum Charge 5/8 x 3/4 – inch meter	\$13.30	\$30.00	\$27.50
--	---------	---------	---------

Gallons in Minimum	0	0	0
--------------------	---	---	---

Commodity Charge:

0 to 24,000 gallons (per 1,000 gallons)	\$1.20
25,000 to 49,000 gallons (per 1,000 gallons)	\$1.35
50,000 to 99,000 gallons (per 1,000 gallons)	\$1.50
Over 100,000 gallons (per 1,000 gallons)	\$1.75

0 to 4,000 gallons (per 1,000 gallons)	\$3.00
4,000 to 7,000 gallons (per 1,000 gallons)	\$3.75
Over 7,000 gallons (per 1,000 gallons)	\$4.75

0 to 5,000 gallons (per 1,000 gallons)	\$2.10
5,001 to 12,000 gallons (per 1,000 gallons)	\$3.15
Over 12,000 gallons (per 1,000 gallons)	\$3.75

Typical residential bill:

	Current Rates	Association Proposed <u>Rates</u>	Staff Recommended <u>Rates</u>
Average use (15,279 gallons)	\$31.64	\$92.58	\$72.35
Median use (7,000 gallons)	\$21.70	\$53.25	\$44.30

Customers:

Number of customers in prior test year: Zero, CC&N was granted on November 13, 1987.

Number of customers in the current test year (12/31/07): 443

Current test year customers by meter size:

5/8 X 3/4 – inch:	258
1-Inch:	4
1 1/2-Inch:	1
Turbo 3	1
Turbo 4	1
Turbo 6	<u>178 lots on a master meter for the HOA</u>
Total	<u>443</u>

Seasonal customers: The Company does not show seasonal customers.

Customer notification for financing application sent: May 24, 2008.

Customer notification for rate application sent: July 17, 2008

Number of customer complaints and/or opinions concerning rate/financing applications filed: 17
(All were against the rate increase)

Percentage of complaints to customer base: 4%

Summary of Filing

The test year results for Beaver Dam Water Company (“Beaver Dam” or “Company”), as adjusted by the Arizona Corporation Commission (“Commission”) Utilities Division (“Staff”), show total operating revenue of \$229,068 and an operating loss of \$75,470 on an Original Cost Rate Base (“OCRB”) of \$258,030, as shown in Schedule BCA-1.

The Company’s proposed rates would produce total operating revenue of \$500,172 and operating income of \$83,123, or an 8.68 rate of return. The Company’s requested rates, as filed, would increase the typical 5/8 x 3/4-inch meter residential bill (with a median usage of 7,000 gallons) by \$27.75, or 108.82 percent, from \$25.50 to \$53.25 for those customers subject to the rates approved in Decision No. 55788 as shown on Schedule BCA-33. For customers subject to the rates approved in Decision No. 64662, the Company’s requested rates, as filed, would increase the typical 5/8 x 3/4-inch meter residential bill (with a median usage of 7,000 gallons) by \$31.55, or 145.39 percent, from \$21.70 to \$53.25 as shown on Schedule BCA-33.

Staff's recommended rates would produce total operating revenue of \$365,129, an increase of \$136,043, or 59.39 percent above the adjusted test year revenue of \$229,086. Staff's recommended revenues would provide an operating income of \$20,642 for an 8.00 percent rate of return on a rate base of \$258,030 and produce a debt service coverage ratio ("DSC") of 2.70 on the current outstanding loan of \$161,325 and a new \$104,283 20-year amortizing loan at 3.675 percent. Staff's recommended rates would increase the typical 5/8 x 3/4-inch meter residential bill (with a median usage of 7,000 gallons) by \$18.80, or 73.73 percent, from \$25.50 to \$44.30 per month, for customers subject to the rates approved in Decision No. 55788 as shown on Schedule BCA-33. For customers subject to the rates approved in Decision No. 64662, Staff's recommended rates would increase the typical 5/8 x 3/4-inch meter residential bill (with a median usage of 7,000 gallons) by \$22.60, or 104.15 percent, from \$21.70 to \$44.30 as shown on Schedule BCA-33.

Background

Beaver Dam is an Arizona Company engaged in the business of providing water services in areas located in the extreme northwest corner of the State of Arizona, in Mohave County. The Company received its Certificate of Convenience and Necessity ("CC&N") in Decision No. 55788, dated November 13, 1987, in which its current rates were established. Presently the Company has one Commission-approved long-term debt.

On May 27, 2008, Beaver Dam filed a financing application (Docket No. W-03067A-08-0266). On July 23, 2008 Beaver Dam filed an application for a permanent rate increase (Docket No. W-03067A-08-0380). On August 22, 2008, and October 8, 2008, Staff filed a Letter of Insufficiency. Staff issued a Letter of Sufficiency November 21, 2008. The financing application and the application for a permanent rate increase were combined per a Procedural Order issued on September 5, 2008. A subsequent Procedural Order dated January 23, 2009, directed Staff to file its report by April 6, 2009. The Company provided evidence in its Application that customers had been notified of the rate case filing by mail on July 17, 2008, and subsequently, of the financing request by mail on February 11, 2009.

Staff's review revealed that the Company does not maintain adequate records and could not produce supporting documentation for its plant additions. The Company indicated in its application that it lost its records for the period 1987 through 2001 in the Beaver Dam Wash flood in 2005. The Association's recordkeeping is not in compliance with the National Association of Regulatory Utility Commissioners ("NARUC") Uniform System of Accounts ("USOA").

Staff filed its report ("Staff Report") in the docket on April 7, 2009, recommending total operating revenue of \$308,277. On April 16, 2009, the Company filed a response requesting changes to Staff's recommendation including a request to recover additional amounts for equipment, vehicles and health insurance.

At the hearing on May 4, 2009, the Administrative Law Judge ("ALJ") directed Staff and the Company to discuss a potential resolution over the appropriate recovery of equipment and to file their respective responses in two weeks. This report ("Amended Staff Report") presents Staff's revised position on the revenue requirement as the result of discussions with the Company. It is Staff's understanding that the Company is in agreement with the recommendations in the Amended Staff Report.

Subsequent to the hearing (April 29, 2009), Beaver Dam Development Corporation entered into agreements with Beaver Dam to lease a back hoe, a dump truck and a trailer for an aggregate annual lease cost of \$28,265. The Amended Staff Report includes these lease costs as operating expenses and recommends recovery of these costs.

Consumer Services

Staff reviewed the Commission's records and found zero complaint, one inquiry for tariff interpretation and seventeen opinions (all against the rate increase) for the period January 1, 2006 to March 3, 2009.

Engineering Analysis and Recommendations

Staff inspected the Company's plant facilities on January 15, 2009. A complete discussion of Staff's technical findings and recommendations and a complete description of the water system are provided in the attached Engineering Report (Attachment A).

Staff recommends that the Company use Staff's depreciation rates as shown in Table B of the Engineering Report.

Staff recommends approval of Staff's Service Line and Meter Installation Charges as shown in Table C of the Engineering Report.

Staff recommends that the Company install a storage tank with a storage capacity of 275,000 gallons for System #2 (PWS #08-127) within two years of the effective date of the order in this proceeding.

Staff further recommends that the Company file, as a compliance item in this docket within two years of the effective date of the order in this proceeding, a copy of the Approval to Construct issued by the Arizona Department of Environmental Quality for the storage facility.

Staff recommends that Beaver Dam be required to separate out the water use data (to include customer count information and bulk water sales) and plant summary information for each of its water systems in future annual reports.

Compliance

Beaver Dam is current on its Utilities and Corporations annual reports. Beaver Dam is also current on its property tax payments.

Decision No. 69243, dated January 17, 2007, issued an order preliminary to Beaver Dam for extension of its CC&N and ordered the Company to file a copy of the developer's letter of adequate water supply or a physical availability determination and approval to construct for the water facilities needed to service the extension area by January 19, 2009.

Beaver Dam has not filed the compliance items. Staff filed for administrative closure of Docket No. W-03067A-06-0117 and the docket was administratively closed on March 31, 2009.

Rate Base

Staff's adjustments decreased the Company's proposed rate base by \$699,606, from \$957,636 to \$258,030, as shown in Schedule BCA-3. Details of Staff's adjustments are discussed below.

Plant in Service

Staff's adjustments to plant in service resulted in a net decrease of \$34,199 as shown on Schedule BCA-3. Staff made several adjustments to plant to reflect unrecorded plant additions and to reclassify plant costs that were erroneously recorded as operating expenses.

Adjustment 2 removes \$210,254 from Distribution Reservoirs and Standpipes to reflect the total estimated cost for proposed plant, as shown on Schedule BCA-6.

Adjustment 3 reclassifies \$75,551 in operating expenses to plant, as shown on Schedule BCA-7.

Adjustment 4 removes \$40,854 from construction work in progress that was completed in 2007 and billed in 2008 and reclassifies it to transmission and distribution main, as shown on Schedule BCA-8.

Adjustment 5 increases plant accounts by \$6,590, from \$16,570 to \$23,160 to add plant assets the Company failed to record, as shown on Schedule BCA-9.

Adjustment 6 recognizes \$162,312 in plant additions for the years 2005 and 2006 the Company erroneously removed as out of service plant cost, as shown on Schedule BCA-10.

Adjustment 7 increases accumulated amortization of contribution-in-aid-of-construction by \$6,357, from \$21,187 to \$27,544, to reflect use of the mid-year convention in Staff's calculations.

Advance-in-Aid-of-Construction (AIAC) – Adjustment 8 decreases the rate base by \$654,491 to reflect the test year-end AIAC balance in rate base as shown on Schedule BCA-12. The Company's balance sheet shows \$613,895 in AIAC. Staff calculated \$654,491 for the AIAC balance. This amount is excluded from the rate base.

Customer Meter Deposit - Adjustment 9 decreases rate base by \$47,433 to reflect the test year-end customer deposit balance in rate base as shown on Schedule BCA-13. The Company's general ledger reports a balance of \$47,433 at the end of the test year.

Accumulated Depreciation – Adjustment 10 decreases Accumulated Depreciation by \$7,094, from \$307,919 to \$300,825, as shown on schedule BCA-14. Staff calculated its balance by applying the authorized depreciation rates to Staff's recommended plant balances for the intervening years.

Working Capital – Adjustment 11 removes a cash working capital allowance of \$45,332 based on the formula method. The formula method recognizes one-eighth of the operating expenses excluding depreciation, taxes, purchased power expenses plus one twenty-fourth of purchased power expenses. In general, the formula method is appropriate for Class D and E companies due to the small size of those utilities, since the cost and time involved in performing the lead-lag study is generally not cost effective for small utilities due to the relatively minor impact of cash working capital on the rate base. Cash working capital can be a positive or negative component of rate base. Staff removes Beaver Dam's cash working capital allowance because the Company did not perform a lead-lag study.

Operating Income Statement

Staff's adjustments decreased the Company's proposed operating loss by \$113,623, from \$189,093 to \$75,470, as shown in Schedule BCA-16. Details of Staff's adjustments to operating revenues and expenses are discussed below.

Operating Revenue

Unmetered Water Revenue – Adjustment 1 increases unmetered water revenue by \$17,491, from \$0 to \$17,491, to reflect the normalization of unmetered water revenues for calendar years 2005, 2006 and 2007 as shown on Schedule 18.

Operating Expenses

Staff's adjustments to operating expenses resulted in a net decrease of \$96,133, from \$400,688 to \$304,555 as shown on schedule BCA-16.

Repair and Maintenance Expense – Adjustment 3 decreases this account by \$41,679, from \$55,053 to \$13,374, to reclassify engineering cost to electrical pumping equipment as shown on Schedule BCA 17, page 1.

Outside Services Expense – Adjustment 4 decreases this account by \$18,208, from \$18,208 to \$0, to reclassify engineering services cost to wells and springs as shown on Schedule BCA -21.

Water Study Cost – Adjustment 5 removes \$26,234 in water study cost from outside services expense, as shown on Schedule BCA-22. This cost is not necessary to provide service to existing customers. Beaver Dam hired AMEC Earth and Environmental to conduct a water study for the purpose of obtaining a designation of “adequate water supply” for the certified areas. Decision No. 69243 required Beaver Dam to file with the Commission a copy of the developer’s letter of adequate water supply by January 19, 2009, for the extension area. Beaver Dam has not filed the developer’s letter of adequate water supply.

Rate Case Expense – Adjustment 6 increases the rate case expense by \$2,255, from \$2,745 to \$5,000, to reclassify cost from outside services expense to rate case expense and normalize annual rate case expense, as shown on Schedule BCA 23.

Water Testing – Adjustment 7 reduces water testing expense by \$3,056, from \$6,835 to \$3,779, and reclassifies cost from water testing to wells and springs as discussed in the attached Engineering Report.

Transportation Expense – Adjustment 8 decreases this account by \$2,997, from \$9,780 to \$6,783, to reflect the total documented test year expenses, as shown on Schedule BCA-25.

General Liability Insurance – Adjustment 9 decreases this account by \$9,320, from \$12,872 to \$3,552, to reflect the total documented test year expenses as shown on Schedule BCA-26.

Miscellaneous Expense – Adjustment 10 decreases this account by \$8,192, from \$12,376 to \$4,184, as shown on Schedule BCA-27. This adjustment removes duplicate purchased water amount of \$3,054, WIFA loan fee amount of \$4,912 and Desert Spring Water Company’s payments received and deposited in error of \$227.

Depreciation Expense – Adjustment 11 increases this account by \$7,956, from \$29,088 to \$37,044, as shown on Schedule BCA-28. This adjustment reflects application of Staff’s recommended depreciation rates as shown in Table B of the Engineering Report to Staff’s recommended depreciable plant balances on a going forward basis.

Taxes Other Than Income Expense - Adjustment 12 increases this account by \$4,824, from \$10,948 to \$15,772, to reflect calculation of taxes other than income on Staff’s adjusted test year salaries and wages, as shown on Revised Schedule BCA-30.

Property Taxes - Adjustment 13 decreases this account by \$2,468, from \$8,426 to \$5,958 to reflect the property tax calculated on the modified Arizona Department of Revenue ("ADOR") methodology adopted by the Commission for water and wastewater utilities, as shown on Revised Schedule BCA-30.

Income Tax Expense - Adjustment 14 decreased this account by \$36,065, from \$0 to negative \$36,065 to reflect calculation of income tax expense on Staff's adjusted test year taxable income, as shown on Revised Schedule BCA-31.

Miscellaneous Expense - Adjustment 15 increases this account by \$786, from \$7,281 to \$8,067, to reflect the total documented test year expenses, as shown on Schedule BCA-36.

Health and life Insurance - Adjustment 16 increases this account by \$8,000, from \$0 to \$8,000, to reflect the total documented test year expenses, as shown on Schedule BCA-37.

Equipment Rental Expense - Adjustment 17 increases this account by \$28,265, from \$5,400 to \$33,665, to reflect a known and measurable change in annual equipment lease cost based on an agreement between Beaver Dam Development Corporation and Beaver Dam, as shown on Schedule BCA-38.

Revenue Requirement

Staff recommends total operating revenue of \$365,129 a \$136,043 or 59.39 percent increase over the Staff adjusted test year operating revenue of \$229,086. Staff's recommended revenue provides an operating income of \$20,642 and an 8.00 percent rate of return on an OCRB of \$258,030, as shown on Schedule BCA-1.

Staff's recommended revenue produces a pro forma 2.70 Debt Service Coverage ("DSC") on the current outstanding loan of \$161,325 and a new \$104,283 20-year amortizing loan at 3.675 percent², and it would provide sufficient cash flow for all obligations.

Rate Design

Revised Schedule BCA-32 presents a complete list of the Company's present, proposed, and Staff's recommended rates and charges.

The present rate design (Decision No. 64662) is an inverted, four-tier commodity rate structure with breakover points at 24,000, 59,000 and 99,000 gallons for 1-inch meter size and larger with no gallons in the minimum. The present rate design (Decision No. 55788) has a single commodity rate for all gallons at \$1.50 per 1000 gallons.

² The \$104,283 loan is discussed below.

The Company proposes to use an inverted three-tier rate structure with breakover points at 4,000 and 7,000 gallons for all meter sizes with no gallons in the minimum. The Company's proposed rates would increase the median usage (7,000 gallon) 5/8 x 3/4-inch meter residential customer's bill from \$25.50 to \$53.25, an increase of \$27.75, or 108.82 percent, for the rates approved in Decision No. 55788. For Decision No. 64662, the Company's proposed rates would increase the typical residential bill (with a median usage of 7,000 gallons) by \$31.55, or 145.39 percent, from \$21.70 to \$53.25, as shown on Revised Schedule BCA-33.

Staff recommends a three-tier, inverted rate structure for 5/8 x 3/4-inch and 3/4-inch meters and a two-tier, inverted rate structure for larger meters. The breakover points for 5/8 x 3/4-inch and 3/4-inch meters are at 5,000 and 12,000 gallons. The breakover points for larger meters increase with size. Staff's recommended rates would increase the median usage (7,000 gallons) 5/8 x 3/4-inch meter residential customer's bill by \$18.80, or 73.73 percent, from \$25.50 to \$44.30 for the rates approved in Decision No. 55788. For Decision No. 64662, Staff's recommended rates would increase the typical residential bill with a median usage of 7,000 gallons by \$22.60, from \$21.70 to \$44.30 as shown on Schedule BCA-33.

The Company proposes new services line and meter installation charges as shown in Revised Schedule BCA-32. Staff recommends approval of the "total" charges as shown in Table C of the Revised Engineering Report, with separate charges for the service line and meter portions.

The Company proposes to increase service charges for Establishment Fee from \$35 to \$55. Staff finds \$35 to be a reasonable and normal charge and recommends it.

The Company proposes to increase service charges for Establishment (after hours) from \$45 to \$65. Staff finds \$45 to be a reasonable and normal charge and recommends it.

The Company proposes to increase service charges for Reconnection (delinquent) from \$50 to \$75. Staff finds \$50 to be a reasonable and normal charge and recommends it.

The Company proposes no service charge for Reconnection delinquent (After hours). Staff recommends \$65 to be a reasonable and normal charge.

The Company proposes to increase Meter Tests (if correct) from \$20 to \$40. Staff finds \$25 to be a reasonable and normal charge and recommends it.

The Company proposes Re-establishment (Within 12 months) a charge equal to the monthly minimum charge times the number of months off the system, per A.C.C. R14-2-403 D. Staff recommends a charge equal to the monthly minimum charge times the number of months off the system, per A.C.C. R14-2-403 D.

The Company proposes to increase non-sufficient funds ("NSF") charges from \$10 to \$25. Staff finds \$25 to be a reasonable and normal charge and recommends it.

The Company proposes a Deferred Payments (per month) of 1.5 percent. Staff finds 1.50 percent of the monthly outstanding balance to be a reasonable and normal charge and recommends it.

The Company proposes to increase Meter Re-reads (if correct) from \$10 to \$15. Staff finds \$15 to be a reasonable and normal charge and recommends it.

The Company proposes a late payment charge-per month of 1.5 percent. Staff finds 1.50 percent of the monthly outstanding balance to be a reasonable and normal charge and recommends it.

Staff Recommendations - Rates

Staff recommends:

- Approval of Staff's rates and charges as shown in Revised Schedule BCA-32. In addition to collection of its regular rates and charges, the Company may collect from its customers a proportionate share of any privilege, sales or use tax per Commission Rule (14-2-409D.5).
- Approval of Staff's Service Line and Meter Installation Charges as shown in Table C of the Engineering Report (Attachment A)
- Authorization of the depreciation rates shown in Table B of the Engineering Report.
- That the Commission order Beaver Dam to maintain its records in accordance with the National Association of Regulatory Utility Commissioners ("NARUC") Uniform System of Accounts ("USOA").
- That the Company file with Docket Control, as a compliance item in this docket, a schedule of its approved rates and charges within 30 days after a Decision in this matter is issued.

FINANCING

Introduction

On May 27, 2007, Beaver Dam filed a financing application with the Commission requesting authorization to obtain a Water Infrastructure Finance Authority ("WIFA") long-term loan for additional storage capacity.

The Company's cost estimate for the proposed capital improvements is \$104,283. Staff finds the proposed capital improvements appropriate and estimated cost to be reasonable. Staff's recommended revenue requirement is sufficient to provide debt service on a \$104,283 20-year amortizing loan at 3.675 percent per annum.

Public Notice

Per Procedural Order issued January 23, 2009, a copy of the Public Notice shall be mailed to each customer and published in a newspaper of general circulation in the Company's service area by the first billing cycle in February 2009. On February 10, 2009, the Company mailed notice to its customers. Notice was published in the *Spectrum, a daily newspaper published at St. George, Washington County, State of Utah* on February 12, 2009. The Company filed the Affidavit of Publication on February 23, 2008. A copy of the affidavit and notice are attached.

Purpose and Terms of the Proposed Financing

The Company is requesting authorization to obtain a \$104,283, long-term, WIFA loan at 3.675 percent interest to fund additional storage capacity of 275,000 gallons for emergency backup and fire protection.

Engineering Analysis

Based on the recent water use data for Beaver Dam's system #2 (PWS #08-127), approximately 170,000 gallons of additional storage capacity is needed. Staff finds the additional capital improvements and estimated costs to be reasonable and appropriate. The Engineering Report (Attachment B) provides details for the construction projects. Staff makes no "used and useful" determination of the proposed plant and no particular future treatment should be inferred for rate-making or rate base purposes.

Financial Analysis

Staff's analysis is based on Staff's adjusted test year operating results and Staff's recommended revenue requirement. The financial analysis shown in Schedule BCA-34 presents selected financial information from the test year operating results and the pro forma effect of a new \$104,283, 20-year amortizing loan at 3.675 percent per annum combined with Staff's

recommended revenues and expenses from the rate case. Schedule BCA-34 also shows the capital structure and both debt service coverage ("DSC") and times interest earned ("TIER") ratios.

Capital Structure

As of December 31, 2007, Beaver Dam's capital structure consisted of 0.0 percent short-term debt, 67.7 percent long-term debt, and 32.3 percent equity. Beaver Dam's drawing of the entire proposed loan of \$104,283 would result in a pro forma capital structure comprised of 1.1 percent short-term debt, 76.4 percent long-term debt and 22.5 percent equity as shown in Schedule BCA-34.

Interest and Debt Service Coverage

Staff also examined the effects of the proposed financing on the Company's TIER and DSC.

DSC represents the number of times internally generated cash (i.e., earnings before interest, income tax, depreciation and amortization expenses) covers required principle and interest payments on debt. A DSC greater than 1.0 means operating cash flow is sufficient to cover debt obligations.

TIER represents the number of times earnings before income tax expense covers interest expense on short-term and long-term debt. A TIER greater than 1.0 means that operating income is greater than interest expense. A TIER less than 1.0 is not sustainable in the long term but does not necessarily mean that debt obligations cannot be met in the short term.

Schedule BCA-34 shows that for the year ending December 31, 2007, Beaver Dam had a TIER and a DSC that are not meaningful. The pro forma analysis shows that Staff's recommended revenue with a fully drawn \$104,283 20-year, 3.675 percent amortizing loan results in a pro forma 1.71 TIER and 2.70 DSC. The pro forma TIER and DSC show that Beaver Dam would have adequate cash flow to meet all obligations, including the proposed debt.

Conclusions and Recommendations - Financing

Staff concludes that issuance of a long-term amortizing loan of 18- to 22-years for the \$104,283 estimated cost of the capital improvements at a rate not to exceed 5.00 percent is appropriate, within Beaver Dam's corporate powers, is compatible with the public interest, would not impair Beaver Dam's ability to provide services and would be consistent with sound financial practices.

Staff recommends that the Commission authorize Beaver Dam to obtain an 18- to 22-year amortizing loan for an amount not to exceed \$104,283 at a rate not to exceed 5.00 percent to finance the Staff recommended capital improvements.

Staff further recommends that the Commission authorize the Company to encumber its assets pursuant to A.R.S. § 40-285 as necessary to secure the loan authorized herein.

Staff further recommends authorizing Beaver Dam to engage in any transactions and to execute any documents necessary to effectuate the authorizations granted.

Staff further recommends that a copy of the executed loan documents be filed with Docket Control, as a Compliance item in this docket, within 60 days of the execution of any transactions.

STAFF REPORT

TABLE OF CONTENTS TO SCHEDULES STAFF REPORT

<u>SCH #</u>	<u>TITLE</u>
BCA-1	REVENUE REQUIREMENT
BCA-2	GROSS REVENUE CONVERSION FACTOR
BCA-3	RATE BASE - ORIGINAL COST
BCA-4	SUMMARY OF RATE BASE ADJUSTMENTS
BCA-5	RATE BASE ADJUSTMENT #1 - NOT USED
BCA-6	RATE BASE ADJUSTMENT #2 - REMOVE PROPOSED PLANT
BCA-7	RATE BASE ADJUSTMENT #3 - RECLASSIFY OPERATING EXPENSES TO PLANT
BCA-8	RATE BASE ADJUSTMENT #4 - RECLASSIFY CWIP TO PLANT
BCA-9	RATE BASE ADJUSTMENT #5 - ADD SUPPORTED PLANT
BCA-10	RATE BASE ADJUSTMENT #6 - RECOGNIZE PLANT ASSETS NOT BOOKED BY THE COMPANY
BCA-11	RATE BASE ADJUSTMENT #7 - ACCUMULATED AMORTIZATION OF CONTRIBUTION-IN-AID-OF-CONSTRUCTION (CIAC)
BCA-12	RATE BASE ADJUSTMENT #8 - ADVANCE-IN-AID-OF-CONSTRUCTION (AIAC)
BCA-13	RATE BASE ADJUSTMENT #9 - CUSTOMER METER DEPOSIT
BCA-14	RATE BASE ADJUSTMENT #10 - ACCUMULATED DEPRECIATION EXPENSE
BCA-15	RATE BASE ADJUSTMENT #11 - WORKING CAPITAL ALLOWANCE
BCA-16	OPERATING INCOME STATEMENT - TEST YEAR AND STAFF RECOMMENDED
BCA-17	SUMMARY OF OPERATING INCOME ADJUSTMENTS - TEST YEAR
BCA-18	OPERATING INCOME ADJUSTMENT #1 - NORMALIZATION OF UNMETERED WATER REVENUES
BCA-19	OPERATING INCOME ADJUSTMENT #2 - NOT USED
BCA-20	OPERATING INCOME ADJUSTMENT #3 - RECLASSIFICATION OF REPAIRS AND MAINTENANCE EXPENSE TO PLANT
BCA-21	OPERATING INCOME ADJUSTMENT #4 - RECLASSIFY OUTSIDE SERVICES EXPENSE TO PLANT
BCA-22	OPERATING INCOME ADJUSTMENT #5 - REMOVE COST NOT NECESSARY TO PROVISION OF SERVICE TO EXISTING CUSTOMER
BCA-23	OPERATING INCOME ADJUSTMENT #6 - RECLASSIFY AND NORMALIZE RATE CASE EXPENSE
BCA-24	OPERATING INCOME ADJUSTMENT #7 - RECLASSIFY COST FROM WATER TESTING TO WELLS AND SPRINGS
BCA-25	OPERATING INCOME ADJUSTMENT #8 - REMOVE UNSUPPORTED TRANSPORTATION EXPENSE
BCA-26	OPERATING INCOME ADJUSTMENT #9 - REMOVE UNSUPPORTED GENERAL LIABILITY INSURANCE EXPENSE
BCA-27	OPERATING INCOME ADJUSTMENT #10 - REMOVE INAPPROPRIATE MISCELLANEOUS
BCA-28	OPERATING INCOME ADJUSTMENT #11 - DEPRECIATION EXPENSE
BCA-29	OPERATING INCOME ADJUSTMENT #12 - TAXES OTHER THAN INCOME
BCA-30	OPERATING INCOME ADJUSTMENT #13 - PROPERTY TAX EXPENSE
BCA-31	OPERATING INCOME ADJUSTMENT #14- INCOME TAXES
BCA-32	RATE DESIGN
BCA-33	TYPICAL BILL ANALYSIS
BCA-34	WIFA LOAN FINANCIAL ANALYSIS
BCA-35	COST OF CAPITAL SUMMARY
BCA-36	OPERATING INCOME ADJUSTMENT #15 - RECOGNIZE MISCELLANEOUS EXPENSE
BCA-37	OPERATING INCOME ADJUSTMENT #16 - RECOGNIZE HEALTH INSURANCE EXPENSE
BCA-38	OPERATING INCOME ADJUSTMENT #17 - RECOGNITION OF EQUIPMENT RENTAL EXPENSE

ATTACHMENTS

ENGINEERING REPORT - RATE CASEATTACHMENT A

ENGINEERING REPORT - FINANCING.....ATTACHMENT B

Note: Shaded amounts reflect changes from the initial Staff Report dated April 7, 2009.

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY ORIGINAL COST	(B) COMPANY FAIR VALUE	(C) STAFF ORIGINAL COST	(D) STAFF FAIR VALUE
1	Adjusted Rate Base - Fair Value equals Original Cost	\$ 957,636	\$ 957,636	\$ 258,030	\$ 258,030
2	Adjusted Operating Income (Loss)	\$ (189,093)	\$ (189,093)	\$ (75,470)	\$ (75,470)
3	Current Rate of Return (L2 / L1)	-19.75%	-19.75%	-29.25%	-29.25%
4	Required Rate of Return	8.68%	8.68%	8.00%	8.00%
5	Required Operating Income: Col. A & B (L1 * L4); Col. C & D	\$ 83,123	\$ 83,123	\$ 20,642	\$ 20,642
6	Operating Income Deficiency/(Excess) (L5 - L2)	\$ 272,216	\$ 272,216	\$ 96,112	\$ 96,112
7	Gross Revenue Conversion Factor	1.0601	1.0601	1.4155	1.4155
8	Required Revenue Increase/(Decrease) (L7 * L6)	\$ 288,577	\$ 288,577	\$ 136,043	\$ 136,043
9	Adjusted Test Year Revenue	\$ 211,595	\$ 211,595	\$ 229,086	\$ 229,086
10	Proposed Annual Revenue (L8 + L9)	\$ 500,172	\$ 500,172	\$ 365,129	\$ 365,129
11	Required Increase/(Decrease) in Revenue (%)	136.38%	136.38%	59.39%	59.39%
12	Rate of Return on Equity (%)	12.00%	12.00%	12.00%	12.00%

References:

Columns [A] and [B]: Company's Application
Columns [C] and [D]: STAFF Schedules BCA-2, BCA-3 and BCA-11

NMF - Not Meaningful

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)	(E)	(F)
<u>Calculation of Gross Revenue Conversion Factor:</u>							
1	Revenue	100.0000%					
2	Uncollectible Factor (Line 11)	0.0000%					
3	Revenues (L1 - L2)	100.0000%					
4	Combined Federal and State Income Tax and Property Tax Rate (Line 23)	28.3519%					
5	Subtotal (L3 - L4)	70.6481%					
6	Revenue Conversion Factor (L1 / L5)	1.415466					
<u>Calculation of Uncollectible Factor:</u>							
7	Unity	100.0000%					
8	Combined Federal and State Tax Rate (Line 23)	28.7211%					
9	One Minus Combined Income Tax Rate (L7 - L8)	71.2789%					
10	Uncollectible Rate	0.0000%					
11	Uncollectible Factor (L9 * L10)	0.0000%					
<u>Calculation of Effective Tax Rate:</u>							
12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%					
13	Arizona State Income Tax Rate	6.9680%					
14	Federal Taxable Income (L12 - L13)	93.0320%					
15	Applicable Federal Income Tax Rate (Line 55)	23.3823%					
16	Effective Federal Income Tax Rate (L14 x L15)	21.7531%					
17	Combined Federal and State Income Tax Rate (L13 + L16)	28.7211%					
<u>Calculation of Effective Property Tax Factor</u>							
18	Unity	100.0000%					
19	Combined Federal and State Income Tax Rate (L17)	28.7211%					
20	One Minus Combined Income Tax Rate (L18-L19)	71.2789%					
21	Property Tax Factor (BCA-16, L21)	0.8850%					
22	Effective Property Tax Factor (L20*L21)	0.6308%					
23	Combined Federal and State Income Tax and Property Tax Rate (L17+L22)	29.3519%					
24	Required Operating Income (Schedule BCA-1, Line 5)	\$ 20,642					
25	Adjusted Test Year Operating Income (Loss) (Schedule BCA-11, Line 28)	(75,470)					
26	Required Increase in Operating Income (L24 - L25)	\$ 96,112					
27	Income Taxes on Recommended Revenue (Col. [E], L52)	\$ 2,663					
28	Income Taxes on Test Year Revenue (Col. [B], L52)	(36,065)					
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)	\$ 38,727					
30	Recommended Revenue Requirement (Schedule BCA-1, Line 10)	\$ 365,129					
31	Uncollectible Rate (Line 10)	0.0000%					
32	Uncollectible Expense on Recommended Revenue (L30*L31)	\$ -					
33	Adjusted Test Year Uncollectible Expense	\$ -					
34	Required Increase in Revenue to Provide for Uncollectible Exp. (L32-L33)	\$ -					
35	Property Tax with Recommended Revenue (BCA-20, Col B, L16)	\$ 7,162					
36	Property Tax on Test Year Revenue (BCA-16, Col A, L16)	5,958					
37	Increase in Property Tax Due to Increase in Revenue (L35-L36)	1,204					
38	Total Required Increase in Revenue (L26 + L29 + L34 + L37)	\$ 136,043					
<u>Calculation of Income Tax:</u>							
39	Revenue (Schedule BCA-10, Col. [C], Line 4 & Sch. BCA-1, Col. [D] Line 10)	\$ -	\$ 229,086	\$ -	\$ -	\$ 365,129	\$ -
40	Operating Expenses Excluding Income Taxes	\$ -	\$ 340,620	\$ -	\$ -	\$ 341,624	\$ -
41	Synchronized Interest (L56)	\$ -	\$ 10,579	\$ -	\$ -	\$ 10,579	\$ -
42	Arizona Taxable Income (L39 - L40 - L41)	\$ -	\$ (122,113)	\$ -	\$ -	\$ 12,726	\$ -
43	Arizona State Income Tax Rate	6.9680%	6.9680%	6.9680%		6.9680%	
44	Arizona State Income Tax (L42 x L43)	\$ -	\$ (8,509)	\$ -	\$ -	\$ 887	\$ -
45	Federal Taxable Income (L42 - L44)	\$ -	\$ (113,622)	\$ -	\$ -	\$ 11,839	\$ -
46	Federal Tax on First Income Bracket (\$1 - \$50,000) @ 15%	\$ -	\$ (7,500)	\$ -	\$ -	\$ 1,776	\$ -
47	Federal Tax on Second Income Bracket (\$51,001 - \$75,000) @ 25%	\$ -	\$ (6,250)	\$ -	\$ -	\$ -	\$ -
48	Federal Tax on Third Income Bracket (\$75,001 - \$100,000) @ 34%	\$ -	\$ (8,500)	\$ -	\$ -	\$ -	\$ -
49	Federal Tax on Fourth Income Bracket (\$100,001 - \$335,000) @ 39%	\$ -	\$ (5,306)	\$ -	\$ -	\$ -	\$ -
50	Federal Tax on Fifth Income Bracket (\$335,001 - \$10,000,000) @ 34%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
51	Total Federal Income Tax	\$ -	\$ (27,556)	\$ -	\$ -	\$ 1,776	\$ -
52	Combined Federal and State Income Tax (L44 + L51)	\$ -	\$ (36,065)	\$ -	\$ -	\$ 2,663	\$ -
53	Applicable Federal Income Tax Rate [Col. [E], L51 - Col. [B], L51] / [Col. [E], L45 - Col. [B], L45]					23.3823%	
55							
56							
<u>Calculation of Interest Synchronization: Not Applicable In This Docket</u>							
57	Rate Base (Schedule BCA-3, Col. (C), Line 17)	\$ 258,030					
58	Weighted Average Cost of Debt (Schedule BCA-35, Col. [F] L2)	4.1000%					
59	Synchronized Interest (L45 X L46)	\$ 10,579					

RATE BASE - ORIGINAL COST

LINE NO.	(A) COMPANY AS FILED	(B) STAFF ADJUSTMENTS	(C) STAFF AS ADJUSTED
1 Plant in Service	\$ 1,283,786	\$ 34,199	\$ 1,317,985
2 Less: Accumulated Depreciation	307,919	(7,094)	300,825
3 Net Plant in Service	<u>\$ 975,867</u>	<u>\$ 41,293</u>	<u>\$ 1,017,160</u>
<u>LESS:</u>			
4 Contributions in Aid of Construction (CIAC)	\$ 84,750	\$ -	\$ 84,750
5 Less: Accumulated Amortization	21,187	6,357	27,544
6 Net CIAC	<u>63,563</u>	<u>(6,357)</u>	<u>57,206</u>
7 Advances in Aid of Construction (AIAC)	-	654,491	654,491
8 Customer Meter Deposits	-	47,433	47,433
9 Deferred Income Tax Credits	-	-	-
<u>ADD:</u>			
10 Unamortized Finance Charges	-	-	-
11 Deferred Income Tax Debits	-	-	-
12 Working Capital	45,332	(45,332)	-
13 Intensionally Left Blank	-	-	-
17 Original Cost Rate Base	<u>\$ 957,636</u>	<u>\$ (699,606)</u>	<u>\$ 258,030</u>

References:

Column [A], Company's Rate Application
Column [B]: Column [C] - Column [A]
Column [C]: Schedule BCA-4 Column [S].

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	ACCT. NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJ #1	[C] ADJ #2	[D] ADJ #3	[E] ADJ #4	[F] ADJ #5	[G] ADJ #6	[H] ADJ #7
<u>PLANT IN SERVICE:</u>										
1		Intangible Plant								
2	301.00	Organization	\$ 20,335	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3	302.00	Franchises	-	-	-	-	-	-	-	-
4	303.00	Land & Land Rights	35,596	-	-	-	-	-	-	-
5		Subtotal Intangible	55,931	-	-	-	-	-	-	-
7		Source of Supply								
8	304	Structures & Improvements	\$ 6,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
9	305	Collecting and Impounding Res.	-	-	-	-	-	-	-	-
10	306	Lake River and Other Intakes	-	-	-	-	-	-	-	-
11	307	Wells and Springs	77,913	-	-	21,264	-	-	36,463	-
12	308	Infiltration Galleries and Tunnels	-	-	-	-	-	-	-	-
13	309	Supply Mains	-	-	-	-	-	-	-	-
14	310	Power Generating Equipment	-	-	-	-	-	-	-	-
15	311	Electric Pumping Equipment	16,702	-	-	41,679	-	2,320	-	-
16	312	Collecting & Impounding Reservoirs	-	-	-	-	-	-	-	-
17	313	Lakes, Rivers, Other Intakes	-	-	-	-	-	-	-	-
18		Subtotal Source of Supply	\$ 100,615	\$ -	\$ -	\$ 62,943	\$ -	\$ 2,320	\$ 36,463	\$ -
20		Water Treatment								
21	320	Water Treatment Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
22	321	Structures & Improvements	-	-	-	-	-	-	-	-
23	323	Other Power Production	-	-	-	-	-	-	-	-
24	325	Electric Pumping Equipment	-	-	-	-	-	-	-	-
25	326	Diesel Pumping Equipment	-	-	-	-	-	-	-	-
26	328.10	Gas Engine Pumping Equipment	-	-	-	-	-	-	-	-
27		Subtotal Water Treatment	-	-	-	-	-	-	-	-
29		Transmission & Distribution								
30	330	Distribution Reservoirs & Standpipe(Storage Tank)	\$ 381,199	\$ -	\$ (210,254)	\$ -	\$ -	-	\$ 11,647	\$ -
31	331	Transmission and Distribution Mains	664,017	-	-	12,608	40,854	-	105,985	-
32	332	Services	-	-	-	-	-	-	-	-
33	334	Meters	11,587	-	-	-	-	3,113	7,390	-
34	335	Hydrants	-	-	-	-	-	-	827	-
35	336	Backflow Prevention Devices	-	-	-	-	-	-	-	-
36	339	Other Plant and Miscellaneous Equipment	-	-	-	-	-	-	-	-
37		Subtotal Transmission & Distribution	1,056,803	-	(210,254)	12,608	40,854	3,113	125,849	-
39		General Plant								
40	340	Office Furniture and Equipment	\$ 6,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
41	340.1	Computer and Software	4,983	-	-	-	-	1,157	-	-
42	341	Transportation Equipment	16,100	-	-	-	-	-	-	-
43	342	Stores Equipment	-	-	-	-	-	-	-	-
44	343	Tools and Work Equipment	2,000	-	-	-	-	-	-	-
45	344	Laboratory Equipment	-	-	-	-	-	-	-	-
46	345	Power Operated Equipment	-	-	-	-	-	-	-	-
47	346	Communications Equipment	-	-	-	-	-	-	-	-
48	347	Miscellaneous Equipment	-	-	-	-	-	-	-	-
49	349	Other Tangible Plant	-	-	-	-	-	-	-	-
50		Intentionally Left Blank	-	-	-	-	-	-	-	-
51		Subtotal General Plant	29,583	-	-	-	-	1,157	-	-
53		Total	1,242,932	-	(210,254)	75,551	40,854	6,590	162,312	-
54	Add:									
55	105	Construction Work in Progress (Completed in 2008)	40,854	-	-	-	(40,854)	-	-	-
57	Less:									
58			-	-	-	-	-	-	-	-
59			-	-	-	-	-	-	-	-
60		Total Plant in Service	\$ 1,283,786	\$ -	\$ (210,254)	\$ 75,551	\$ -	\$ 6,590	\$ 162,312	\$ -
61	Less: Accumulated Depreciation		307,919	-	-	-	-	-	-	-
62		Net Plant in Service (L59 - L 60)	\$ 975,867	\$ -	\$ (210,254)	\$ 75,551	\$ -	\$ 6,590	\$ 162,312	\$ -
64	LESS:									
65		Contributions in Aid of Construction (CIAC)	\$ 84,750	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
66		Less: Accumulated Amortization of CIAC	21,187	-	-	-	-	-	-	6,357
67		Net CIAC (L25 - L26)	\$ 63,563	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (6,357)
68		Advances in Aid of Construction (AIAC)	-	-	-	-	-	-	-	-
71		Customer Meter Deposits	-	-	-	-	-	-	-	-
72		Deferred Income Tax Credits	-	-	-	-	-	-	-	-
75	ADD:									
76		Unamortized Finance Charges	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
77		Deferred Income Tax Debits	-	-	-	-	-	-	-	-
78		Working Capital	45,332	-	-	-	-	-	-	-
79		Intentionally Left Blank	-	-	-	-	-	-	-	-
80		Original Cost Rate Base	\$ 957,636	\$ -	\$ (210,254)	\$ 75,551	\$ -	\$ 6,590	\$ 162,312	\$ 6,357

ADJ #	References:
1	Schedule BCA-5
2	Schedule BCA-6
3	Schedule BCA-7
4	Schedule BCA-8
5	Schedule BCA-9
6	Schedule BCA-10
7	Schedule BCA-11
8	Schedule BCA-12
9	Schedule BCA-13
10	Schedule BCA-14
11	Schedule BCA-15

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	ACCT. NO.	DESCRIPTION	(I) ADJ #8	(J) ADJ #9	(K) ADJ #10	(L) ADJ #11	(M)	(N) STAFF ADJUSTED
<u>PLANT IN SERVICE:</u>								
1		Intangible Plant						
2	301.00	Organization	\$ -	\$ -	\$ -	\$ -	\$ -	20,335
3	302.00	Franchises	-	-	-	-	-	-
4	303.00	Land & Land Rights	-	-	-	-	-	35,596
5		Subtotal Intangible	-	-	-	-	-	55,931
6								
7		Source of Supply						
8	304	Structures & Improvements	\$ -	\$ -	\$ -	\$ -	\$ -	6,000
9	305	Collecting and Impounding Res.	-	-	-	-	-	-
10	306	Lake River and Other Intakes	-	-	-	-	-	-
11	307	Wells and Springs	-	-	-	-	-	135,640
12	308	Infiltration Galleries and Tunnels	-	-	-	-	-	-
13	309	Supply Mains	-	-	-	-	-	-
14	310	Power Generating Equipment	-	-	-	-	-	-
15	311	Electric Pumping Equipment	-	-	-	-	-	60,701
16	312	Collecting & Impounding Reservoirs	-	-	-	-	-	-
17	313	Lakes, Rivers, Other Intakes	-	-	-	-	-	-
18		Subtotal Source of Supply	\$ -	\$ -	\$ -	\$ -	\$ -	202,341
19								
20		Water Treatment						
21	320	Water Treatment Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	-
22	321	Structures & Improvements	-	-	-	-	-	-
23	323	Other Power Production	-	-	-	-	-	-
24	325	Electric Pumping Equipment	-	-	-	-	-	-
25	326	Diesel Pumping Equipment	-	-	-	-	-	-
26	328.10	Gas Engine Pumping Equipment	-	-	-	-	-	-
27		Subtotal Water Treatment	-	-	-	-	-	-
28								
29		Transmission & Distribution						
30	330	Distribution Reservoirs & Standpipe(Storage Tank)	\$ -	\$ -	\$ -	\$ -	\$ -	182,592
31	331	Transmission and Distribution Mains	-	-	-	-	-	823,464
32	332	Services	-	-	-	-	-	-
33	334	Meters	-	-	-	-	-	22,090
34	335	Hydrants	-	-	-	-	-	827
35	336	Backflow Prevention Devices	-	-	-	-	-	-
36	339	Other Plant and Miscellaneous Equipment	-	-	-	-	-	-
37		Subtotal Transmission & Distribution	-	-	-	-	-	1,028,973
38								
39		General Plant						
40	340	Office Furniture and Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	6,500
41	340.1	Computer and Software	-	-	-	-	-	6,140
42	341	Transportation Equipment	-	-	-	-	-	16,100
43	342	Stores Equipment	-	-	-	-	-	-
44	343	Tools and Work Equipment	-	-	-	-	-	2,000
45	344	Laboratory Equipment	-	-	-	-	-	-
46	345	Power Operated Equipment	-	-	-	-	-	-
47	346	Communications Equipment	-	-	-	-	-	-
48	347	Miscellaneous Equipment	-	-	-	-	-	-
49	349	Other Tangible Plant	-	-	-	-	-	-
50		Intentionally Left Blank	-	-	-	-	-	-
51		Subtotal General Plant	-	-	-	-	-	30,740
52								
53		Total	-	-	-	-	-	1,317,985
54	Add:							
55	105	Construction Work In Progress (Completed in 2008)	-	-	-	-	-	-
56								
57	Less:							
58								
59								
60		Total Plant in Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,317,985
61		Less: Accumulated Depreciation	-	-	(7,094)	-	-	300,825
62		Net Plant in Service (L59 - L 60)	-	-	-	-	-	\$ 1,017,160
63								
64		<u>LESS:</u>						
65		Contributions in Aid of Construction (CIAC)	\$ -	\$ -	\$ -	\$ -	\$ -	84,750
66		Less: Accumulated Amortization of CIAC	-	-	-	-	-	27,544
67		Net CIAC (L25 - L26)	\$ -	\$ -	\$ -	\$ -	\$ -	57,206
68		Advances in Aid of Construction (AIAC)	654,491	-	-	-	-	654,491
71		Customer Meter Deposits	-	47,433	-	-	-	47,433
72		Deferred Income Tax Credits	-	-	-	-	-	-
73								
75		<u>ADD:</u>						
76		Unamortized Finance Charges	\$ -	\$ -	\$ -	\$ -	\$ -	-
77		Deferred Income Tax Debits	-	-	-	-	-	-
78		Working Capital	-	-	-	(45,332)	-	-
79		Intentionally Left Blank	-	-	-	-	-	-
80		Original Cost Rate Base	\$ (654,491)	\$ (47,433)	\$ -	\$ (45,332)	\$ -	\$ 258,030

ADJ #	References:
1	Schedule BCA-5
2	Schedule BCA-6
3	Schedule BCA-7
4	Schedule BCA-8
5	Schedule BCA-9
6	Schedule BCA-10
7	Schedule BCA-11
8	Schedule BCA-12
9	Schedule BCA-13
10	Schedule BCA-14
11	Schedule BCA-15

Beaver Dam Water Company, Inc.
Docket No. W-03067A-08-0380 et al
Test Year December 31, 2007

BCA-5
Revised 4-27-09

RATE BASE ADJUSTMENT #1 - NOT USED

LINE	Acct.		[A]	[B]	[C]
NO.	No.	DESCRIPTION	COMPANY	STAFF	STAFF
			PROPOSED	ADJUSTMENTS	RECOMMENDED

Beaver Dam Water Company, Inc.
Docket No. W-03067A-08-0380 et al
Test Year December 31, 2007

BCA-6
Revised 5-11-09

RATE BASE ADJUSTMENT #2 - REMOVE PROPOSED PLANT

LINE NO.	Acct No.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	330	Distribution Reservoirs & Standpipes - (Proposed storage tank)	210,254	(210,254)	-

References

[A]: Company's Rate Application
[B]: Col [C] - Col [A]
[C]: Staff Report

Beaver Dam Water Company
Docket No. W-03067A-08-0380
Test Year Ended December 31, 2007

BCA-7
Revised 5-11-09

RATE BASE ADJUSTMENT #3 - RECLASSIFY OPERATING EXPENSES TO PLANT

LINE	Acct.		[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
NO.	No.	DESCRIPTION			
1	331	Transmission & Distribution Mains	\$ -	\$ 12,608	\$ 12,608
2	307	Wells and Springs	\$ -	\$ 18,208	\$ 18,208
3	307	Wells and Springs	\$ -	\$ 3,056	\$ 3,056
4	311	Electric Pumping Equipment	\$ -	\$ 41,679	\$ 41,679
5		Total	<u>\$ -</u>	<u>\$ 75,551</u>	<u>\$ 75,551</u>

Beaver Dam Water Company
Docket No. W-03067A-08-0380 et al
Test Year Ended December 31, 2007

BCA-8
Revised 5-11-09

RATE BASE ADJUSTMENT #4 - RECLASSIFY CWIP TO PLANT

LINE	Acct.		[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
NO.	No.	DESCRIPTION			
1	105	Construction Work in Progress - (Completed and recorded in 2008)	\$ 40,854	\$ (40,854)	\$ -
2	331	Transmission and Distribution Main	\$ -	\$ 40,854	\$ 40,853.73
			<u>\$ 40,854</u>	<u>\$ -</u>	<u>\$ 40,854</u>

References

[A]: Company's Rate Application
[B]: Col [C] - Col [A]
[C]: Staff Report

Beaver Dam Water Company
Docket No. W-03067A-08-0380 et al
Test Year Ended December 31, 2007

BCA-9
Revised 5-11-09

RATE BASE ADJUSTMENT #5 - ADD SUPPORTED PLANT

LINE NO.	Acct. No.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	334	Meters & Meter Installations	\$ 11,587	\$ 3,113	\$ 14,700
2	340	Computers and Software	\$ 4,983	\$ 1,157	\$ 6,140
3	311	Electric Pumping Equipment	\$ -	\$ 2,320	\$ 2,320
4		Total	<u>\$ 16,570</u>	<u>\$ 6,590</u>	<u>\$ 23,160</u>

References

[A]: Company's Rate Application

[B]: Col [C] - Col [A]

[C]: Staff Report

Beaver Dam Water Company
Docket No. W-03067A-08-0380 et al
Test Year Ended December 31, 2007

BCA-10
Revised 5-11-09

RATE BASE ADJUSTMENT #6 - RECOGNIZE PLANT ASSETS NOT BOOKED BY THE COMPANY

LINE	Acct.		[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
NO.	No.	DESCRIPTION			
1	307	Wells and Springs	\$ -	\$ 36,463	36,463
2	330	Distribution , Reservoirs & Standpipes	\$ -	\$ 11,647	11,647
3	331	Transmission and Distribution Mains	\$ -	\$ 105,985	105,985
4	334	Meters and Meter Installations	\$ -	\$ 7,390	7,390
5	335	Hydrants	\$ -	\$ 827	827
		Total	\$ -	\$ 162,312	\$ 162,312

References

[A]: Company's Rate Application
[B]: Col [C] - Col [A]
[C]: Staff Report

Recognize \$162,312 out of services costs
excluded from plant

Beaver Dam Water Company
Docket No. W-03067A-08-0380 et al
Test Year Ended December 31, 2007

BCA-11
Revised 5-11-09

RATE BASE ADJUSTMENT #7 - ACCULULATED AMORTIZATION OF CONTRIBUTION-IN-AID-OF-CONSTRUCTION (CIAC)

		[A] COMPANY AS FILED		[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
LINE	Acct.				
NO.	No.	DESCRIPTION			
1	307	Accumulated Amortization of CIAC		\$ 21,187	\$ 27,544

References

[A]: Company's Rate Application

[B]: Col [C] - Col [A]

[C]: Staff Report

Beaver Dam Water Company
Docket No. W-03067A-08-0380 et al
Test Year Ended December 31, 2007

BCA-12
Revised 5-11-09

RATE BASE ADJUSTMENT #8 - ADVANCE-IN-AID-OF-CONSTRUCTION (AIAC)

LINE NO.	Acct. No.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1		Advance- in- Aid- of- Construction	\$ -	\$ 654,491	\$ 654,491

References

[A]: Company's Rate Application
[B]: Col [C] - Col [A]
[C]: Staff Report

Beaver Dam Water Company
Docket No. W-03067A-08-0380 et al
Test Year Ended December 31, 2007

BCA-13
Revised 5-11-09

RATE BASE ADJUSTMENT #9 - CUSTOMER METER DEPOSIT

LINE	Acct.		[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
<u>NO.</u>	<u>No.</u>	<u>DESCRIPTION</u>			
1		Customer Meter Deposit	\$ -	\$ 47,433	\$ 47,433

References

[A]: Company's Rate Application

[B]: Col [C] - Col [A]

[C]: Staff Report

Beaver Dam Water Company
Docket No. W-03067A-08-0380 et al
Test Year Ended December 31, 2007

BCA-14
Revised 5-11-09

RATE BASE ADJUSTMENT #10 - ACCUMULATED DEPRECIATION EXPENSE

LINE	Acct.		[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
NO.	No.	DESCRIPTION			
1		Accumulated Depreciation Expense	\$ 307,919	\$ (7,094)	\$ 300,825

References

[A]: Company's Rate Application

[B]: Col [C] - Col [A]

[C]: Staff Report

Beaver Dam Water Company
Docket No. W-03067A-08-0380 et al
Test Year Ended December 31, 2007

BCA-15
Revised 5-11-09

RATE BASE ADJUSTMENT #11 - WORKING CAPITAL ALLOWANCE

LINE	Acct.		[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
<u>NO.</u>	<u>No.</u>	<u>DESCRIPTION</u>			
<u>1</u>		Working Capital Allowance (1/8 of Operating & Maint. Ex	\$ 44,028	\$ (44,028)	-
<u>2</u>		Working Capital Allowance (1/24 of Purchase Power)	\$ 1,304	\$ (1,304)	-
<u>3</u>		Total	<u>\$ 45,332</u>	<u>\$ (45,332)</u>	<u>\$ -</u>

References

[A]: Company's Rate Application
[B]: Col [C] - Col [A]
[C]: Staff Report

OPERATING INCOME STATEMENT - TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF PROPOSED CHANGES	[E] STAFF RECOMMENDED
<u>REVENUES:</u>						
1	Metered Water Sales	\$ 211,595	\$ -	\$ 211,595	\$ 136,043	\$ 347,638
2	Water Sales - Unmetered	-	17,491	17,491	-	17,491
3	Other Operating Revenue	-	-	-	-	-
4	Total Operating Revenues	\$ 211,595	\$ 17,491	\$ 229,086	\$ 136,043	\$ 365,129
<u>OPERATING EXPENSES:</u>						
7	Salaries and Wages	\$ 119,100	-	\$ 119,100	\$ -	\$ 119,100
8	Purchased Water	-	-	-	-	-
9	Purchased Power	31,285	-	31,285	-	31,285
10	Chemicals	3,085	-	3,085	-	3,085
11	Repairs and Maintenance	55,053	(41,679)	13,374	-	13,374
12	Office Supplies and Expense	3,915	-	3,915	-	3,915
13	Outside Services	71,992	(45,687)	26,305	-	26,305
14	Water Testing	6,835	(3,056)	3,779	-	3,779
15	Rent - Equipment	5,400	28,265	33,665	-	33,665
	Rent - Building	15,936	-	15,936	-	15,936
16	Transportation Expenses	9,780	(2,997)	6,783	-	6,783
17	Insurance - General Liability	12,872	(9,320)	3,552	-	3,552
18	Insurance - Health and Life	-	8,000	8,000	-	8,000
19	Reg. Comm. Exp. - Rate Case	1,500	3,500	5,000	-	5,000
20	Miscellaneous Expenses	15,473	(7,406)	8,067	-	8,067
21	Depreciation Expense	29,088	7,956	37,044	-	37,044
22	Taxes Other than Income	10,948	4,824	15,772	-	15,772
23	Property Taxes	8,426	(2,468)	5,958	1,204	7,162
24	Income Taxes	-	(36,065)	(36,065)	38,727	2,663
25	Intentionally Left blank(Rounding)	-	-	-	-	-
27	Total Operating Expenses	400,688	(96,133)	304,555	39,931	344,486
28	Operating Income (Loss)	\$ (189,093)	\$ 113,623	\$ (75,470)	\$ 96,112	\$ 20,642

References:

Column (A): Company's Rate Application
Column (B): Column (C) - Column (A)
Column (C): Column (A) + Column (B)
Column (D): Schedules BCA-1 and BCA-2
Column (E): Column (C) + Column (D)

Beaver Dam Water Company, Inc.
Docket No. W-03067A-08-0380 et al
Test Year December 31, 2007

SUMMARY OF OPERATING INCOME ADJUSTMENTS - TEST YEAR

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] ADJ #1	[C] ADJ #2	[D] ADJ #3	[E] ADJ #4	[F] ADJ #5	[G] ADJ #6	[H] ADJ #7	[I] ADJ #8	[J] ADJ #9
1	REVENUES:										
2	Metered Water Sales	\$ 211,595	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3	Water Sales - Unmetered (Bulk Water Sales)	\$ -	\$ 17,491	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4	Other Operating Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5	Total Operating Revenues	\$ 211,595	\$ 17,491	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6	OPERATING EXPENSES:										
7	Salaries and Wages	\$ 119,100	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8	Purchased Water	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
9	Purchased Power	31,285	-	-	-	-	-	-	-	-	-
10	Chemicals	3,085	-	-	-	-	-	-	-	-	-
11	Repairs and Maintenance	55,053	-	-	-	-	-	-	-	-	-
12	Office Supplies and Expense	3,915	-	-	-	-	-	-	-	-	-
13	Outside Services	71,992	-	-	-	(18,208)	(26,234)	(1,245)	(3,056)	-	-
14	Water Testing	6,835	-	-	-	-	-	-	-	-	-
15	Rent - Equipment	5,400	-	-	-	-	-	-	-	-	-
16	Rent - Building	15,936	-	-	-	-	-	-	-	-	-
17	Transportation Expenses	9,780	-	-	-	-	-	-	-	(2,997)	(9,320)
18	Insurance - General Liability	12,872	-	-	-	-	-	-	-	-	-
19	Insurance - Health and Life	-	-	-	-	-	-	-	-	-	-
20	Reg. Comm. Exp. - Rate Case	1,500	-	-	-	-	-	3,500	-	-	-
21	Miscellaneous Expenses	15,473	-	-	-	-	-	-	-	-	-
22	Depreciation Expense	29,088	-	-	-	-	-	-	-	-	-
23	Taxes Other than Income	10,948	-	-	-	-	-	-	-	-	-
24	Property Taxes	8,426	-	-	-	-	-	-	-	-	-
25	Income Taxes	-	-	-	-	-	-	-	-	-	-
26	Intentionally Left blank(Rounding)	-	-	-	-	-	-	-	-	-	-
27	Total Operating Expenses	\$ 400,688	\$ -	\$ -	\$ (41,679)	\$ (18,208)	\$ (26,234)	\$ 2,255	\$ (3,056)	\$ (2,997)	\$ (9,320)
28	Operating Income (Loss)	\$ (189,093)	\$ 17,491	\$ -	\$ 41,679	\$ 18,208	\$ 26,234	\$ (2,255)	\$ 3,056	\$ 2,997	\$ 9,320

ADJ #	References:
9	Schedule BCA-26
10	Schedule BCA-27
11	Schedule BCA-28
12	Schedule BCA-29
13	Schedule BCA-30
14	Schedule BCA-31
15	Schedule BCA-36
16	Schedule BCA-37
17	Schedule BCA-38

ADJ #	References:
1	Schedule BCA-18
2	Schedule BCA-19
3	Schedule BCA-20
4	Schedule BCA-21
5	Schedule BCA-22
6	Schedule BCA-23
7	Schedule BCA-24
8	Schedule BCA-25

Beaver Dam Water Company, Inc.
Docket No. W-03067A-08-0380 et al
Test Year December 31, 2007

SUMMARY OF OPERATING INCOME ADJUSTMENTS - TEST

LINE NO.	DESCRIPTION	[K] ADJ #10	[L] ADJ #11	[M] ADJ #12	[N] ADJ #13	[O] ADJ #14	[P] ADJ #15	[Q] ADJ #16	[R] ADJ #17	[S] STAFF ADJUSTED
1	REVENUES:									
2	Metered Water Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 211,595
3	Water Sales - Unmetered (Bulk Water Sales)	-	-	-	-	-	-	-	-	\$ 17,491
4	Other Operating Revenue	-	-	-	-	-	-	-	-	\$ -
5	Total Operating Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 229,086
6	OPERATING EXPENSES:									\$ 119,100
7	Salaries and Wages	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8	Purchased Water	-	-	-	-	-	-	-	-	\$ 31,285
9	Purchased Power	-	-	-	-	-	-	-	-	\$ 3,085
10	Chemicals	-	-	-	-	-	-	-	-	\$ 13,374
11	Repairs and Maintenance	-	-	-	-	-	-	-	-	\$ 3,915
12	Office Supplies and Expense	-	-	-	-	-	-	-	-	\$ 26,305
13	Outside Services	-	-	-	-	-	-	-	-	\$ 3,779
14	Water Testing	-	-	-	-	-	-	-	-	\$ 33,665
15	Rent - Equipment	-	-	-	-	-	-	-	28,265	\$ 15,936
16	Rent - Building	-	-	-	-	-	-	-	-	\$ 6,783
17	Transportation Expenses	-	-	-	-	-	-	-	-	\$ 3,552
18	Insurance - General Liability	-	-	-	-	-	-	-	-	\$ 8,000
19	Insurance - Health and Life	-	-	-	-	-	-	-	-	\$ 8,067
20	Reg. Comm. Exp. - Rate Case	(8,192)	7,956	-	-	-	-	-	-	\$ 37,044
21	Miscellaneous Expenses	-	-	-	-	-	-	-	-	\$ 15,772
22	Depreciation Expense	-	-	-	-	-	-	-	-	\$ 5,958
23	Taxes Other than Income	-	-	-	(2,468)	-	-	-	-	\$ (36,065)
24	Property Taxes	-	-	-	-	(36,065)	-	-	-	\$ -
25	Income Taxes	-	-	-	-	-	786	-	-	\$ 304,555
26	Intentionally Left blank(Rounding)	-	-	-	-	-	-	-	-	\$ (75,470)
27	Total Operating Expenses	\$ (8,192)	\$ 7,956	\$ 4,824	\$ (2,468)	\$ (36,065)	\$ 786	\$ (8,000)	\$ (28,265)	\$ -
28	Operating Income (Loss)	\$ 8,192	\$ (7,956)	\$ (4,824)	\$ 2,468	\$ 36,065	\$ (786)	\$ 8,000	\$ (28,265)	\$ (75,470)

ADJ #	References:
9	Schedule BCA-26
10	Schedule BCA-27
11	Schedule BCA-28
12	Schedule BCA-29
13	Schedule BCA-30
14	Schedule BCA-31
15	Schedule BCA-36
16	Schedule BCA-37
17	Schedule BCA-38

ADJ #	References:
1	Schedule BCA-18
2	Schedule BCA-19
3	Schedule BCA-20
4	Schedule BCA-21
5	Schedule BCA-22
6	Schedule BCA-23
7	Schedule BCA-24
8	Schedule BCA-25

Beaver Dam Water Company, Inc.
Docket No. W-03067A-08-0380 et al
Test Year December 31, 2007

BCA-18
Revised 5-11-09

OPERATING INCOME ADJUSTMENT #1 - NORMALIZATION OF UNMETERED WATER REVENUES

LINE NO.	Acct. No.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	1	Unmetered Water Revenue	\$ -	\$ 17,491	\$ 17,491
	2	Other Water Revenue (Bulk Sales)- Company test year 2007			23,190
	3	Other Water Revenue - 2006			29,282
	4	Other Water Revenue - 2005			-
	5	Other Water Revenue, past three years			52,472
	6	Average Other Water Revenue (line 5/3)			17,491

References:

Col [A]: Company's Rate Application

Col [B]: Col [C] - Col [A]

Col [C], lines 2-4: Company's response to DR BCA 3.16

Beaver Dam Water Company, Inc.
Docket No. W-03067A-08-0380 et al
Test Year December 31, 2007

BCA-19
Page 1 of 1
Revised 5-11-09

OPERATING INCOME ADJUSTMENT #2 - NOT USED

Line <u>No.</u>	Acct. #	<u>DESCRIPTION</u>	[A] COMPANY <u>PROPOSED</u>	[B] STAFF <u>ADJUSTMENTS</u>	[C] STAFF <u>RECOMMENDED</u>
--------------------	------------	--------------------	-----------------------------------	------------------------------------	------------------------------------

Beaver Dam Water Company, Inc.
Docket No. W-03067A-08-0380 et al
Test Year December 31, 2007

BCA-20
Revised 5-11-09

OPERATING INCOME ADJUSTMENT #3 - RECLASSIFICATION OF REPAIRS AND MAINTENANCE EXPENSE TO PLANT

LINE NO.	Acct. No.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1		Repairs and Maintenance Expense	\$ 55,053	\$ (41,679)	\$ 13,374

References:

Col [A]: Company's Rate Application
Col [B]: Col [C] - Col [A]
Col [C]: Staff Report

Reclassify \$41,678.62 from repairs and maintenance expense to
electrical pumping equipment.

Beaver Dam Water Company, Inc.
Docket No. W-03067A-08-0380 et al
Test Year December 31, 2007

BCA-21
Revised 5-11-09

OPERATING INCOME ADJUSTMENT #4 - RECLASSIFY OUTSIDE SERVICES EXPENSE TO PLANT

LINE NO.	Acct. No.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1		Wells and Springs (LESLIE)	\$ 18,208	\$ (18,208)	\$ -

References:

Col [A]: Company's Application - Supporting documentation.

Col [B]: Col [C] - Col [A]

Col [C]: Staff Report

Reclassify \$18,208 from Outside Services expense to
Wells and Springs.

OPERATING INCOME ADJUSTMENT #5 - REMOVE COST NOT NECESSARY TO PROVISION OF SERVICE TO EXISTING CUSTOMERS

LINE NO.	Acct. No.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1		Water Study Cost (AMEC)	\$ 26,234	\$ (26,234)	\$ -
2					
3					
4					

References:

Col [A]: Company's Application - Supporting documentation.

Col [B]: Col [C] - Col [A]

Col [C]: Staff Report

Remove \$26,234 pertaining to a Water Study by AMEC from Outside Services expense.

Beaver Dam Water Company, Inc.
Docket No. W-03067A-08-0380 et al
Test Year December 31, 2007

BCA-23
Revised 5-11-09

OPERATING INCOME ADJUSTMENT #6 - RECLASSIFY AND NORMALIZE RATE CASE EXPENSE

LINE NO.	Acct. No.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1		Rate Case Expense - Outside Services	\$ 1,245	\$ (1,245)	\$ -
2		Rate Case Expense - Regulatory Commission Expense	\$ 1,500	\$ 3,500	\$ 5,000
3		Total	<u>\$ 2,745</u>	<u>\$ 2,255</u>	<u>\$ 5,000</u>

References:

Col [A]: Company's Rate Application - Supporting documentation.

Col [B]: Col [C] - Col [A]

Col [C]: Staff Report

Reclassify \$1,245 from Outside Services expense to Regulatory Commission Expense and allow a normalized annual rate case expense of \$5,000.

Beaver Dam Water Company, Inc.
Docket No. W-03067A-08-0380 et al
Test Year December 31, 2007

BCA-24
Revised 5-11-09

OPERATING INCOME ADJUSTMENT #7 - RECLASSIFY COST FROM WATER TESTING TO WELLS AND SPRINGS

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Water Testing Expense	\$ 6,835	\$ (3,056)	\$ 3,779

References:

Col [A]: Company's Rate Application

Col [B]: Col [C] - Col [A]

Col [C]: Staff Report

Reclassify \$3,056 from water testing expense to
Wells and Springs

Beaver Dam Water Company, Inc.
Docket No. W-03067A-08-0380 et al
Test Year December 31, 2007

BCA-25
Revised 5-11-09

OPERATING INCOME ADJUSTMENT #8 - REMOVE UNSUPPORTED TRANSPORTATION EXPENSE

LINE NO.	Acct. No.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1		Transportation Expense	\$ 9,780	\$ (2,997)	\$ 6,783

References:

Col [A]: Company's Rate Application
Col [B]: Col [C] - Col [A]
Col [C]: Staff Report

Beaver Dam Water Company, Inc.
Docket No. W-03067A-08-0380 et al
Test Year December 31, 2007

BCA-26
Revised 5-11-09

OPERATING INCOME ADJUSTMENT #9 - REMOVE UNSUPPORTED GENERAL LIABILITY INSURANCE EXPENSE

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>[A] COMPANY PROPOSED</u>	<u>[B] STAFF ADJUSTMENTS</u>	<u>[C] STAFF RECOMMENDED</u>
1	Insurance - General Liability	<u>\$ 12,872</u>	<u>\$ (9,320)</u>	<u>\$ 3,552</u>

References:

Col [A]: Company's Rate Application
Col [B]: Col [C] - Col [A]
Col [C]: Staff Report

Beaver Dam Water Company, Inc.
Docket No. W-03067A-08-0380 et al
Test Year December 31, 2007

BCA-27
Revised 5-11-09

**OPERATING INCOME ADJUSTMENT #10 - REMOVE INAPPROPRIATE MISCELLANEOUS
EXPENSE**

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Miscellaneous Expense	\$ 12,376	\$ (8,192)	\$ 4,184

References:

Col [A]: Company's rate Application

Col [B]: Col [C] - Col [A]

Col [C]: Staff Report

OPERATING INCOME ADJUSTMENT #11 - DEPRECIATION EXPENSE

Line No.	ACCT NO.	DESCRIPTION	[A] AMOUNT	[B] PROJECTED RATE	[C] DEPRECIATION EXPENSE
Plant In Service					
1	301	Organization	\$ 20,335	0.00%	\$ -
2	302	Franchises	-	0.00%	\$ -
3	303	Land and Land Rights	35,596	0.00%	\$ -
4	304	Structures & Improvements	6,000	3.33%	\$ 200
5	305	Collecting & Impounding Reservoirs	-	2.50%	\$ -
6	306	Lakes, Rivers, Other Intakes	-	2.50%	\$ -
7	307	Wells and Springs	135,640	3.33%	\$ 4,517
8	308	Infiltration Galleries and Tunnels	-	6.67%	\$ -
9	309	Supply Mains	-	2.00%	\$ -
10	310	Power Generation Equipment	-	5.00%	\$ -
11	311	Electric Pumping Equipment	60,701	12.50%	\$ 7,588
12	320	Water Treatment Equipment	-	3.33%	\$ -
13	330	Distribution Reservoirs & Standpipes	182,592	2.22%	\$ 4,054
14	331	Transmission & Distribution Mains	823,464	2.00%	\$ 16,469
15	333	Services	-	3.33%	\$ -
16	334	Meters & Meter Installation	22,090	8.33%	\$ 1,840
17	335	Hydrants	827	2.00%	\$ 17
18	336	Backflow Prevention Devices	-	6.67%	\$ -
19	339	Other Plant & Misc. Equipment	-	6.67%	\$ -
20	340	Office Furniture & Equipment	6,500	6.67%	\$ 434
21	340	Computer & Software	6,140	20.00%	\$ 1,228
22	341	Transportation Equipment	16,100	20.00%	\$ 3,220
23	342	Stores Equipment	-	4.00%	\$ -
24	343	Tools, Shop & Garage Equipment	2,000	5.00%	\$ 100
25	344	Laboratory Equipment	-	10.00%	\$ -
26	345	Power Operated Equipment	-	5.00%	\$ -
27	346	Communication Equipment	-	10.00%	\$ -
28	347	Miscellaneous Equipment	-	10.00%	\$ -
29	348	Other Tangible Plant	-	10.00%	\$ -
30					
31		Subtotal General	\$ 1,317,985		\$ 39,665
32		Less: Non- depreciable Account(s) (L2 + L3)	35,596		
33		Depreciable Plant (L29-L30)	\$ 1,282,389		
34					
35		Contributions-in-Aid-of-Construction (CIAC)	\$ 84,750		
36		Composite Depreciation/Amortization Rate	3.09%		
37		Less: Amortization of CIAC (L34 x L35)			\$ 2,621
38		Depreciation Expense - STAFF [Col. (C), L30 - L36]			\$ 37,044

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
38	Depreciation Expense	\$ 29,088	\$ 7,956	\$ 37,044

Beaver Dam Water Company, Inc.
Docket No. W-03067A-08-0380 et al
Test Year December 31, 2007

Revised BCA-29
Revised 5-11-09

OPERATING INCOME ADJUSTMENT #12 - TAXES OTHER THAN INCOME

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Taxes Other Than Income	\$ 10,948	\$ 4,824	\$ 15,772
	Salaries and Wages	\$ 119,100		
	FICA	7.45%	\$ 8,873	
	No. of Employees	3		
	Salary Subject to Unemployment Tax	\$ 7,000		
	Total Taxable Unemployment Salaries	\$ 21,000		
	Combined SUTA & FUTA Rate	13.50%	\$ 2,835	
	SUTA Rate	0.073		
	FUTA Rate	0.062		
	Combined SUTA & FUTA Rate	0.135		
	Franchise Tax		\$ 3,734	
	Other Taxes and Fees		\$ 330	
	Total Taxes Other Than Income			\$ 15,772

References:

Col [A]: Company's Rate Application
Col [B]: Col [C] - Col [A]
Col [C]: Staff Report

OPERATING INCOME ADJUSTMENT #13 - PROPERTY TAX EXPENSE

LINE NO.	DESCRIPTION	[A]	[B]
		STAFF AS ADJUSTED	STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues - 2007	\$ 229,086	\$ 229,086
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	\$ 458,171	\$ 458,171
4	Staff Recommended Revenue	229,086	\$ 365,129
5	Subtotal (Line 4 + Line 5)	\$ 687,257	\$ 823,300
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	\$ 229,086	\$ 274,433
8	Department of Revenue Multiplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	\$ 458,171	\$ 548,866
10	Plus: 10% of CWIP	-	-
11	Less: Net Book Value of Licensed Vehicles	9,321	9,321
12	Full Cash Value (Line 9 + Line 10 - Line 11)	\$ 448,850	\$ 539,545
13	Assessment Ratio	22.50%	22.50%
14	Assessment Value (Line 12 * Line 13)	\$ 100,991	\$ 121,398
15	Composite Property Tax Rate - Obtained from ADOR	5.9000%	5.9000%
16	Staff Test Year Adjusted Property Tax Expense (Line 14 * Line 15)	\$ 5,958	
17	Company Proposed Property Tax	8,426	
18	Staff Test Year Adjustment (Line 16 - Line 17)	\$ (2,468)	
19	Property Tax - Staff Recommended Revenue (Line 14 * Line 15)		\$ 7,162
20	Staff Test Year Adjusted Property Tax Expense (Line 16)		\$ 5,958
21	Increase (Decrease) in Property Tax Due to Increase in Revenue Requirement		\$ 1,204
22	Increase (Decrease) in Property Tax Due to Increase in Revenue Requirement (Line 21)		\$ 1,204
23	Increase (Decrease) in Revenue Requirement		\$ 136,043
24	Increase in Property Tax Per Dollar Increase in Revenue (Line 22 / Line 23)		0.88500%

REFERENCES:

Line 15: Composite Tax Rate obtained from Arizona Department of Revenue
Line 17: Company Schedule BCA-17
Line 21: Line 19 - Line 20
Line 23: Schedule BCA-1

Beaver Dam Water Company, Inc.
Docket No. W-03067A-08-0380 et al
Test Year December 31, 2007

Revised BCA-31
Revised 5-11-09

OPERATING INCOME ADJUSTMENT #14- INCOME TAXES

LINE NO.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	Income Tax Expense	\$ -	\$ (36,065)	\$ (36,065)

References:

Col [A]: Company's Rate Application
Col [B]: Col [C] - Col [A]
Col [C]: Schedule BCA-2, Line 52

Beaver Dam Water Company
Docket No. W-03067A-08-0380 et al
Test Year Ended December 31, 2007

Beaver Dam Water Company
RATE DESIGN

Monthly Usage Charge

Decision No. 55788

Gallons in the minimum
5/8" x 3/4" Meter
3/4" Meter
1" Meter
1.5" Meter
2" Meter
3" Meter
4" Meter
6" Meter (HOA)
8" Meter
10" Meter
12" Meter

Present Rates	Company Proposed	Staff Recommended
\$ 15.00	\$ 30.00	\$ 27.50
N/T	N/T	\$ 41.25
N/T	N/T	\$ 68.75
N/T	N/T	\$ 137.50
N/T	N/T	\$ 220.00
N/T	N/T	\$ 440.00
\$ 120.00	\$ 1,000.00	\$ 687.50
\$ 15.00	\$ 30.00	\$ 1,375.00
N/T	N/T	\$ 2,200.00
N/T	N/T	\$ 3,162.00
N/T	N/T	\$ 5,912.50

Decision No. 47690

Gallons in the minimum
5/8" x 3/4" Meter
3/4" Meter
1" Meter
1.5" Meter
2" Meter
3" Meter
4" Meter
6" Meter
8" Meter
10" Meter
12" Meter

\$ 4,000	\$ 30.00	\$ 27.50
\$ 17.00	N/T	\$ 41.25
N/T	N/T	\$ 68.75
N/T	N/T	\$ 137.50
N/T	N/T	\$ 220.00
N/T	N/T	\$ 440.00
N/T	N/T	\$ 687.50
N/T	N/T	\$ 1,375.00
N/T	N/T	\$ 2,200.00
N/T	N/T	\$ 3,162.00
N/T	N/T	\$ 5,912.50

Decision No. 64662

Gallons in the minimum
5/8" x 3/4" Meter
3/4" Meter
1" Meter
1.5" Meter
2" Meter
3" Meter
4" Meter
6" Meter
8" Meter
10" Meter
12" Meter

\$ 13.30	\$ 30.00	\$ 27.50
N/T	N/T	\$ 41.25
\$ 33.25	\$ 45.00	\$ 68.75
\$ 66.50	\$ 400.00	\$ 137.50
\$ 126.35	\$ 500.00	\$ 220.00
\$ 465.50	\$ 600.00	\$ 440.00
\$ 731.50	\$ 1,000.00	\$ 687.50
\$ 997.50	\$ 1,600.00	\$ 1,375.00
N/T	N/T	\$ 2,200.00
N/T	N/T	\$ 3,162.00
N/T	N/T	\$ 5,912.50

Commodity Charges

Decision No. 55788 TIER RATES

Gallons in the minimum

5/8" x 3/4" Meter

3/4" Meter

1" Meter

1.5" Meter

2" Meter

3" Meter

4" Meter

6" Meter (HOA)

8" Meter

10" Meter

12" Meter

Bulk Water Sales - Per 1,000 Gallons

Decision No. 47690 TIER RATES

Gallons in the minimum

5/8" x 3/4" Meter

3/4" Meter

1" Meter

1.5" Meter

2" Meter

3" Meter

4" Meter

6" Meter

8" Meter

10" Meter

12" Meter

Bulk Water Sales - Per 1,000 Gallons

Decision No. 64662 TIER RATES

Gallons in the minimum

5/8" x 3/4" Meter

3/4" Meter

1" Meter

1.5" Meter

2" Meter

3" Meter

4" Meter

6" Meter

8" Meter

10" Meter

12" Meter

Bulk Water Sales - Per 1,000 Gallons

Present					Company Proposed					Staff Recommended				
1st Tier	2nd Tier	3rd Tier	4th Tier		1st Tier	2nd Tier	3rd Tier			1st Tier	2nd Tier	3rd Tier		
\$ 1.50	\$ -	\$ -	\$ -		\$ 3.00	\$ -	\$ 3.75	\$ -		\$ 2.10	\$ 3.15	\$ 3.75		
Infinite	N/T	N/T	N/T		4,000	7,000	Infinite			5,000	12,000	Infinite		
N/T	N/T	N/T	N/T		4,000	7,000	Infinite			5,000	12,000	Infinite		
N/T	N/T	N/T	N/T		4,000	7,000	Infinite				30,000	Infinite		
N/T	N/T	N/T	N/T		4,000	7,000	Infinite				60,000	Infinite		
N/T	N/T	N/T	N/T		4,000	7,000	Infinite				96,000	Infinite		
N/T	N/T	N/T	N/T		4,000	7,000	Infinite				192,000	Infinite		
N/T	N/T	N/T	N/T		4,000	7,000	Infinite				300,000	Infinite		
Infinite	N/T	N/T	N/T		4,000	7,000	Infinite				600,000	Infinite		
Infinite	N/T	N/T	N/T		4,000	7,000	Infinite				960,000	Infinite		
Infinite	N/T	N/T	N/T		4,000	7,000	Infinite				1,380,000	Infinite		
Infinite	N/T	N/T	N/T		4,000	7,000	Infinite				2,580,000	Infinite		
\$9.00 - All Gallons					\$9.00 - All Gallons					\$2.46 - All Gallons				
\$ 1.50	\$ 1.00	\$ 0.70	N/T		\$ 3.00	\$ 3.75	\$ 4.75			\$ 2.10	\$ 3.15	\$ 3.75		
4,000	-	-	-		-	-	-			-	-	-		
4,000	10,000	4,000	7,000		4,000	7,000	Infinite			5,000	12,000	Infinite		
N/T	N/T	N/T	N/T		4,000	7,000	Infinite			5,000	12,000	Infinite		
N/T	N/T	N/T	N/T		4,000	7,000	Infinite				30,000	Infinite		
N/T	N/T	N/T	N/T		4,000	7,000	Infinite				60,000	Infinite		
N/T	N/T	N/T	N/T		4,000	7,000	Infinite				96,000	Infinite		
N/T	N/T	N/T	N/T		4,000	7,000	Infinite				192,000	Infinite		
N/T	N/T	N/T	N/T		4,000	7,000	Infinite				300,000	Infinite		
N/T	N/T	N/T	N/T		4,000	7,000	Infinite				600,000	Infinite		
N/T	N/T	N/T	N/T		4,000	7,000	Infinite				960,000	Infinite		
Infinite	N/T	N/T	N/T		4,000	7,000	Infinite				1,380,000	Infinite		
Infinite	N/T	N/T	N/T		4,000	7,000	Infinite				2,580,000	Infinite		
\$9.00 - All Gallons					\$9.00 - All Gallons					\$2.46 - All Gallons				
\$ 1.20	\$ 1.35	\$ 1.50	\$ 1.75		\$ 3.00	\$ 3.75	\$ 4.75			\$ 2.10	\$ 3.15	\$ 3.75		
-	-	-	-		-	-	-			-	-	-		
24,000	49,000	99,000	Infinite		4,000	7,000	Infinite			5,000	12,000	Infinite		
N/T	N/T	N/T	N/T		4,000	7,000	Infinite				30,000	Infinite		
24,000	49,000	99,000	Infinite		4,000	7,000	Infinite				60,000	Infinite		
24,000	49,000	99,000	Infinite		4,000	7,000	Infinite				96,000	Infinite		
24,000	49,000	99,000	Infinite		4,000	7,000	Infinite				192,000	Infinite		
24,000	49,000	99,000	Infinite		4,000	7,000	Infinite				300,000	Infinite		
24,000	49,000	99,000	Infinite		4,000	7,000	Infinite				600,000	Infinite		
Infinite	N/T	N/T	N/T		4,000	7,000	Infinite				960,000	Infinite		
Infinite	N/T	N/T	N/T		4,000	7,000	Infinite				1,380,000	Infinite		
Infinite	N/T	N/T	N/T		4,000	7,000	Infinite				2,580,000	Infinite		
\$9.00 - All Gallons					\$9.00 - All Gallons					\$2.46 - All Gallons				

Service Line and Meter Installation Charges

	Present Rates	Company Proposed		Staff Recommended	
		Charges		Service Line	Total
5/8" x 3/4" Meter	\$ 225.00	\$ 580.00		\$ 425.00	\$ 580.00
3/4" Meter	N/T	N/T		\$ 445.00	\$ 700.00
1" Meter	N/T	700.00		\$ 445.00	\$ 700.00
1.5" Meter	N/T	880.00		\$ 460.00	\$ 880.00
2" Turbine Meter	N/T	1,380.00		\$ 615.00	\$ 1,380.00
2" Compound Meter	N/T	1,460.00		\$ 615.00	\$ 1,460.00
3" Turbine Meter	N/T	1,930.00		\$ 745.00	\$ 1,930.00
3" Compound Meter	N/T	2,010.00		\$ 745.00	\$ 2,010.00
4" Turbine Meter	N/T	2,935.00		\$ 1,050.00	\$ 2,935.00
4" Compound Meter	N/T	3,020.00		\$ 1,050.00	\$ 3,020.00
6" Meter Turbine	N/T	4,120.00		\$ 1,250.00	\$ 4,120.00
6" Compound Meter	N/T	5,960.00		\$ 1,250.00	\$ 5,960.00
8" Turbine	N/T	6,775.00		At Cost	At Cost
10" Turbine	N/T	12,150.00		At Cost	At Cost
12" Turbine	N/T	16,800.00		At Cost	At Cost

Service Charges

Establishment	Present	Company Proposed	Staff Recommended
Establishment (After Hours)	\$ 35.00	\$ 55.00	\$ 35.00
Reconnection (Delinquent)	\$ 45.00	\$ 65.00	\$ 45.00
Reconnection (Delinquent)- After Hours	\$ 50.00	\$ 75.00	\$ 50.00
Meter Test (If Correct)	N/T	N/T	\$ 65.00
Deposit - Note 1	\$ 20.00	\$ 40.00	\$ 25.00
Deposit Interest - Note 1	(1)	(1)	(1)
Re-Establishment (Within 12 Months)- Note 2	(1)	(1)	(1)
NSF Check	(2)	(2)	(2)
Deferred Payment, per Month	\$ 10.00	\$ 25.00	\$ 25.00
Meter Re-Read (If Correct)	N/T	1.50%	1.50%
Late Charge per Month	\$ 10.00	\$ 15.00	\$ 15.00
	1.50%	1.50%	1.50%

Note 1 Per Commission Rules (R14-2-403.B)
Note 2 Months off system times the minimum (R14-2-403.D)

NT = No Tariff

TYPICAL BILL ANALYSIS - 5/8-INCH RESIDENTIAL

DECISION NO. 55788

CURRENT			
AVERAGE		MEDIAN	
USAGE	DOLLARS	USAGE	DOLLARS
15,279	\$ 37.92	7,000	\$ 25.50

COMPANY PROPOSED					
AVERAGE	INCREASE	PERCENT	MEDIAN	INCREASE	PERCENT
\$ 92.58	\$ 54.66	144.14%	\$ 53.25	\$ 27.75	108.82%

STAFF RECOMMENDED					
AVERAGE	INCREASE	PERCENT	MEDIAN	INCREASE	PERCENT
\$ 72.35	\$ 34.43	90.79%	\$ 44.30	\$ 18.80	73.73%

DECISION NO. 64662

CURRENT			
AVERAGE		MEDIAN	
USAGE	DOLLARS	USAGE	DOLLARS
15,279	\$ 31.64	7,000	\$ 21.70

COMPANY PROPOSED					
AVERAGE	INCREASE	PERCENT	MEDIAN	INCREASE	PERCENT
\$ 92.58	\$ 60.94	192.63%	\$ 53.25	\$ 31.55	145.39%

STAFF RECOMMENDED					
AVERAGE	INCREASE	PERCENT	MEDIAN	INCREASE	PERCENT
\$ 72.35	\$ 40.71	128.69%	\$ 44.30	\$ 22.60	104.15%

WIFA LOAN FINANCIAL ANALYSIS

Staff Adjusted Test Year and Recommended Revenue Reflecting
the Effects of the Staff Recommended \$104,283 Debt¹

INCOME STATEMENT

	<u>Test Year</u>	<u>Pro Forma</u>
Operating Revenue:	\$211,595	\$ 365,129
Operating Expenses:		
Purchased Water/Pumping Power	\$31,285	\$31,285
Admin. & General	\$233,407	233,407
Maintenance & Testing	\$17,153	17,153
Depreciation (d)	\$37,044	37,044
Property Taxes	\$5,958	7,162
Other taxes	15,772	15,772
Total Operating Expense	\$340,620	\$341,824
Pre-Tax Operating Income (a)	(\$129,025)	\$23,305
Interest Expense (b)	9,844	13,615
Pre-Tax Net Income	(\$138,869)	\$9,690
Principal Repayment (c)	\$5,027	\$ 8,710
Reserve/Replacement Deposit (e)	2,974	4,465
TIER (Times Interest Earned Ratio)		
(a) ÷ (b)	N/M	1.71
DSC		
[(a) + (d)] ÷ [(b) + (c)]	N/M	2.70

CAPITAL STRUCTURE

Short-term Debt	\$0	0.0%	\$ 3,683.36	1.1%
Long-term Debt	\$161,325	67.7%	\$261,925	76.4%
Common Equity	\$77,138	32.3%	\$77,138	22.5%
Total Capital	\$238,463	100.0%	\$342,746	100.0%

¹ Twenty-year amortizing loan at 3.675 percent per annum.

Beaver Dam Water Company
Docket No. W-03067A-08-0380 et al
Test Year December 31, 2007

BCA-35
Revised 5-11-09

COST OF CAPITAL SUMMARY

LINE NO.	DESCRIPTION	(A) AMOUNT PER COMPANY	(B) STAFF ADJUSTMENTS	(C) STAFF AS ADJUSTED	(D) PERCENT	(E) COST RATE	(F) WEIGHTED COST RATE
1	Short-term Debt	\$ -	\$ -	\$ -	0.0%	0.00%	0.00%
2	Long-term Debt	\$ 265,258	\$ (104,283)	\$ 160,975	67.6%	6.00%	4.10%
3	Preferred Stock	\$ -	\$ -	\$ -	0.0%	0.00%	0.00%
4	Common Equity	\$ 77,138	\$ -	\$ 77,138	32.4%	12.00%	3.90%
5	Deferrals	\$ -	\$ -	\$ -	0.0%	0.00%	0.00%
6	Total Capital	<u>\$ 342,396</u>	<u>\$ (104,283)</u>	<u>\$ 238,113</u>	<u>100.00%</u>		<u>8.00%</u>

OPERATING INCOME ADJUSTMENT #15 - RECOGNIZE MISCELLANEOUS EXPENSE

LINE NO.	Acct. No.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	1	Miscellaneous Expense	\$ 7,281	\$ 786	\$ 8,067

References:

Col [A]: Company Application

Col [B]: Col [C] - Col [A]

Col [C]: Staff Report

OPERATING INCOME ADJUSTMENT #16 - RECOGNIZE HEALTH INSURANCE EXPENSE

LINE NO.	Acct. No.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	1	Insurance - Health and Life	\$ -	\$ 8,000	\$ 8,000

References:

Col [A]: Company Application

Col [B]: Col [C] - Col [A]

Col [C]: Staff Report

OPERATING INCOME ADJUSTMENT #17 - RECOGNITION OF EQUIPMENT RENTAL EXPENSE

LINE NO.	Acct. No.	DESCRIPTION	[A] COMPANY PROPOSED	[B] STAFF ADJUSTMENTS	[C] STAFF RECOMMENDED
1	1	Rent - Equipment	\$ 5,400	\$ 28,265	\$ 33,665

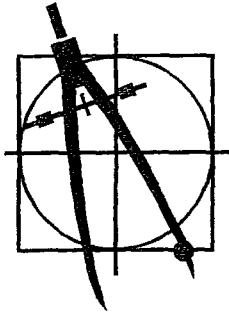
References:

Col [A]: Company Application

Col [B]: Col [C] - Col [A]

Col [C]: Staff Report

To Recognize \$28,265 in Equipment Rental for:
Backhoe, Dump Truck and Trailer.



Engineering Report for:
Beaver Dam Water Company, Inc.
for a Rate Increase
Docket No. W-03067A-08-0380

By: Jian W Liu *JW Liu*
Utilities Engineer

March 19, 2009

EXECUTIVE SUMMARY

CONCLUSIONS:

1. ADEQ reported that the Beaver Dam drinking water systems are in compliance with regulatory agency requirements and are currently delivering water that meets State and Federal drinking water quality standards required by the Arizona Administrative Code, Title 18, Chapter 4. (ADEQ report dated 08/25/08).
2. The Company is not located in any Active Management Area ("AMA") and is not subject to any AMA reporting and conservation requirements.
3. ADWR reported that it has determined that Beaver Dam is currently in compliance with departmental requirements governing water providers and/or community water systems.

RECOMMENDATIONS

1. Staff recommends that the Company use Staff's depreciation rates by individual National Association of Regulatory Utility Commissioners category on a going forward bases.
2. Staff recommends an average annual cost of \$3,779 be adopted for the water testing expense in this proceeding.
3. Staff recommends that the Company install a storage tank with a storage capacity of 275,000 gallons for System #2 (PWS #08-127) within two years of the effective date of the order in this proceeding. Staff further recommends that the Company file, as a compliance item in this docket, within two years of the effective date of the order in this proceeding, a copy of the AOC issued by ADEQ for this storage facility.
4. Staff recommends that Beaver Dam be required to separate out the Water Use Data (to include customer count information, and bulk water sell) and Plant Summary information for each of its water systems in future Annual Reports.

Page 2

Halcyon Acres Annex #2 Water Company

Docket No. W-02312A-06-0211

5. Staff recommends that the charges listed under "Staff's Recommendation" in Table C be adopted.

TABLE OF CONTENTS

	<u>Page</u>
A. LOCATION OF COMPANY	1
B. DESCRIPTION OF THE WATER SYSTEM.....	1
C. ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY COMPLIANCE ("ADEQ")	4
D. ARIZONA CORPORATION COMMISSION ("ACC") COMPLIANCE.....	4
E. ARIZONA DEPARTMENT OF WATER RESOURCES ("ADWR") COMPLIANCE	4
F. WATER TESTING EXPENSES	5
G. WATER USE.....	6
H. GROWTH.....	8
I. DEPRECIATION RATES	8
J. CURTAILMENT PLAN TARIFF	9
K. METER AND SERVICE LINE INSTALLATION CHARGES	9

FIGURES

County Map.....	FIGURE 1
Certificated Area.....	FIGURE 2
Process Schematic.....	FIGURE 3

A. LOCATION OF COMPANY

Beaver Dam Water Company, Inc. ("Beaver Dam" or "the Company") has been operating a Certificate of Convenience and Necessity ("CC&N") for water service since 1988. The Company's existing CC&N for water has an area totaling approximately 14 square miles. The Beaver Dam water system currently is serving approximately 443 connections. The Company is located in the extreme northwest corner of the state in Mohave County. Figure 1 shows the location of the Company within Mohave County and Figure 2 shows the certificated area.

B. DESCRIPTION OF THE WATER SYSTEM

The plant facilities were visited on January 15, 2009, by Jian Liu, Staff Utilities Engineer, in the accompaniment of Bob Frisby of the Company.

Beaver Dam has two water systems. System #1 (PWS #08-006) serves an area in the vicinity of the community of Littlefield, Arizona. The facility consists of three wells, three storage tanks totaling 194,000 gallons (a 50,000 gallon storage tank, a 44,000 gallon storage tank, and a 100,000 gallon storage tank), and a distribution system. Figure 3 provides a process schematic for the water system.

System #2 (PWS #08-127) serves an area along Interstate 15 near the Arizona/Nevada border. The facility consists of one well, a storage tank totaling 36,424 gallons, and a distribution system. Figure 4 provides a process schematic for the water system.

(Tabular Description of Water System)

Well Data - PWS #08-006

	Well No 1	Well No 2	Well No 3	
ADWR ID No.	55-607609	55-525516	55-589874	
Casing Size	12 inch	16 inch	8 inch	
Casing Depth	50 ft	100 ft	544 ft	
Pump Size	7 Hp	10 Hp	30 Hp	
Pump Yield	160 gal/min	125 gal/min	300 gal/min	
Meter Size	2 inch	2 inch	4 inch	
Year Drilled	1982	1989	2002	

Storage, Pumping- PWS #08-006

Structure or equipment	Location	Capacity
booster pumps	Near Well No 3	Two 10 HP
Storage tank	Near Well No 3	One 100,000 gallons
Storage tank	Near Well No 1	One 50,000 gallons

Storage tank	Near Well No 3	One 44,000 gallons
--------------	----------------	--------------------

Distribution Mains- PWS #08-006

Diameter (inch)	Material	Length(ft)
4	PVC	6,470
6	PVC	1,220
8	PVC	10,500
10	PVC	1,110

Meters- PWS #08-006

Size (inch)	Quantity
5/8 X 3/4	228
Turbo 6	1 - 177 HOA Customers
Total	405 service connections

Well Data - PWS #08-127

	Well No 1			
ADWR ID No.	55-551856			
Casing Size	20 inch			
Casing Depth	928 ft			
Pump Size	125 Hp VFD*			
Pump Yield	550 gal/min			
Meter Size	6 inch			
Year Drilled	1995			

*A **variable-frequency drive (VFD)** is a system for controlling the rotational speed of an alternating current (AC) electric motor by controlling the frequency of the electrical power supplied to the motor.

Storage, Pumping- PWS #08-127

Structure or equipment	Location	Capacity
Storage tank	Near Well No 1	One 36,424 gallons

Distribution Mains- PWS #08-127

Diameter (inch)	Material	Length(ft)
6	PVC	3,080

10	PVC	7,000

Meters- PWS #08-127

Size (inch)	Quantity
5/8 X 3/4	30
1	4
1 1/2	1
Turbo 3	1 – Mobile Home Park
Turbo 4	1 – Palm Club House
Turbo 6	1 – R.V. Park
Total	38 service connections

Water System Analysis

Based on recent water use data Beaver Dam's System #2 (PWS #08-127) needs minimum 170,000 gallons of additional storage based on 38 service connections during the test year 2007. Beaver Dam's financing application is requesting approval for a Water Infrastructure Finance Authority ("WIFA") loan in the amount of \$104,283 to fund approximately 50% of Company's estimated cost to add storage capacity of 275,000 gallons. The remaining 50% of the cost will be financed by a line extension agreement (approximately 38%) and capital investment by Beaver Dam (approximately 12%). According to the Company the 275,000 gallons of additional storage capacity is needed for emergency backup and fire protection. Since the Company projects that Water System #2 could have approximately 60 service connections by 2012, Staff recommends that acceptance of the Company's proposed 275,000 gallons of additional storage capacity.

Staff recommends that the Company install a storage tank with a storage capacity of 275,000 gallons for System #2 (PWS #08-127) within two years of the effective date of the order in this proceeding. Staff further recommends that the Company file, as a compliance item in this docket, within two years of the effective date of the order in this proceeding, a copy of the AOC issued by ADEQ for this storage facility.

Staff recommends that Beaver Dam be required to separate out the Water Use Data (to include customer count information, and bulk water sales) and Plant Summary information for each of its water systems in future Annual Reports.

**C. ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY COMPLIANCE
("ADEQ")**

ADEQ reported that the Beaver Dam drinking water systems are in compliance with regulatory agency requirements and are currently delivering water that meets State and Federal drinking water quality standards required by the Arizona Administrative Code, Title 18, Chapter 4. (ADEQ report dated 08/25/08).

D. ARIZONA CORPORATION COMMISSION ("ACC") COMPLIANCE

A check with the Utilities Division Compliance Section showed 2 outstanding Compliance items as follows (ACC Compliance Section Email dated 3/13/09).

In Decision No. 69243, the Company was granted an extension of its CC&N and ordered to file a copy of the APPROVAL TO CONSTRUCT for the water facilities needed to service the extension area as described in this Decision by January 19, 2009. In the event the Company did not timely comply with the above condition, the subject Order Preliminary would be deemed null and void. In such event, staff was to file a memorandum to close the docket.

In the same Decision, the Company was also ordered to file a copy of the developer's LETTER OF ADEQUATE WATER SUPPLY or a PHYSICAL AVAILABILITY DETERMINATION for the extension area by January 19, 2009. In the event the Company did not timely comply with this condition, the subject Order Preliminary would be deemed null and void. In such event, staff was to file a memorandum to close the docket.

Beaver Dam has not been able to provide the above mentioned Compliance items. Therefore, Staff has filed for Administrative Closure of Docket #W-03067A-06-0117. This action is tentatively scheduled for Commission deliberation at the Regular Open Meeting on March 31, 2009.

**E. ARIZONA DEPARTMENT OF WATER RESOURCES ("ADWR")
COMPLIANCE**

The Company is not located in any Active Management Area ("AMA") and is not subject to any AMA reporting and conservation requirements.

Staff received an ADWR compliance status report on September 2008, ADWR reported that it has determined that Beaver Dam is currently in compliance with departmental requirements governing water providers and/or community water systems.

F. WATER TESTING EXPENSES

The Company is subject to mandatory participation in the Monitoring Assistance Program ("MAP"). Starting January 1, 2002, water companies paid a fixed \$250 per year fee, plus an additional fee of \$2.57 per service connection regardless of meter size for participation in MAP. Participation in the MAP program is mandatory for water systems, which serve less than 10,000 persons (approximately 3,300 service connections).

The Company reported its total water testing expense \$6,835 during the test year including \$3,056 for New Source Approval (new well). Staff reclassified this \$3,056 as Wells & Springs expense, so total water testing expense was reduced to \$3,779 during the test year. Staff has reviewed the Company's testing expense and has recalculated the testing costs as reflected in Table 1 and Table 1A which show Staff's annual monitoring expense estimate of \$3,663 with participation in the MAP. Staff therefore recommends acceptance of the Company's annual water testing expense of \$3,779 for purposes of this application.

Table 1 Water Testing Cost – PWS 08-006

Monitoring – 3 wells (Tests per 3 years, unless noted.)	Cost per test	No. of tests per 3 years	Total 3 year cost	Annual Cost
Bacteriological – monthly	\$45	72	3240	1080
MAP – IOCs, SOCs, & VOCs	MAP	MAP	MAP	893
Lead & Copper - annual	\$40	40	1600	533
Total				\$2,506

Note: ADEQ's MAP invoice was \$892.50

Table 1A Water Testing Cost – PWS 08-127

Monitoring – 1 well (Tests per 3 years, unless noted.)	Cost per test	No. of tests per 3 years	Total 3 year cost	Annual Cost
Bacteriological – monthly	\$45	36	1620	540
MAP – IOCs, SOCs, & VOCs	MAP	MAP	MAP	350
Lead & Copper - annual	\$40	20	800	267
Total				\$1,157

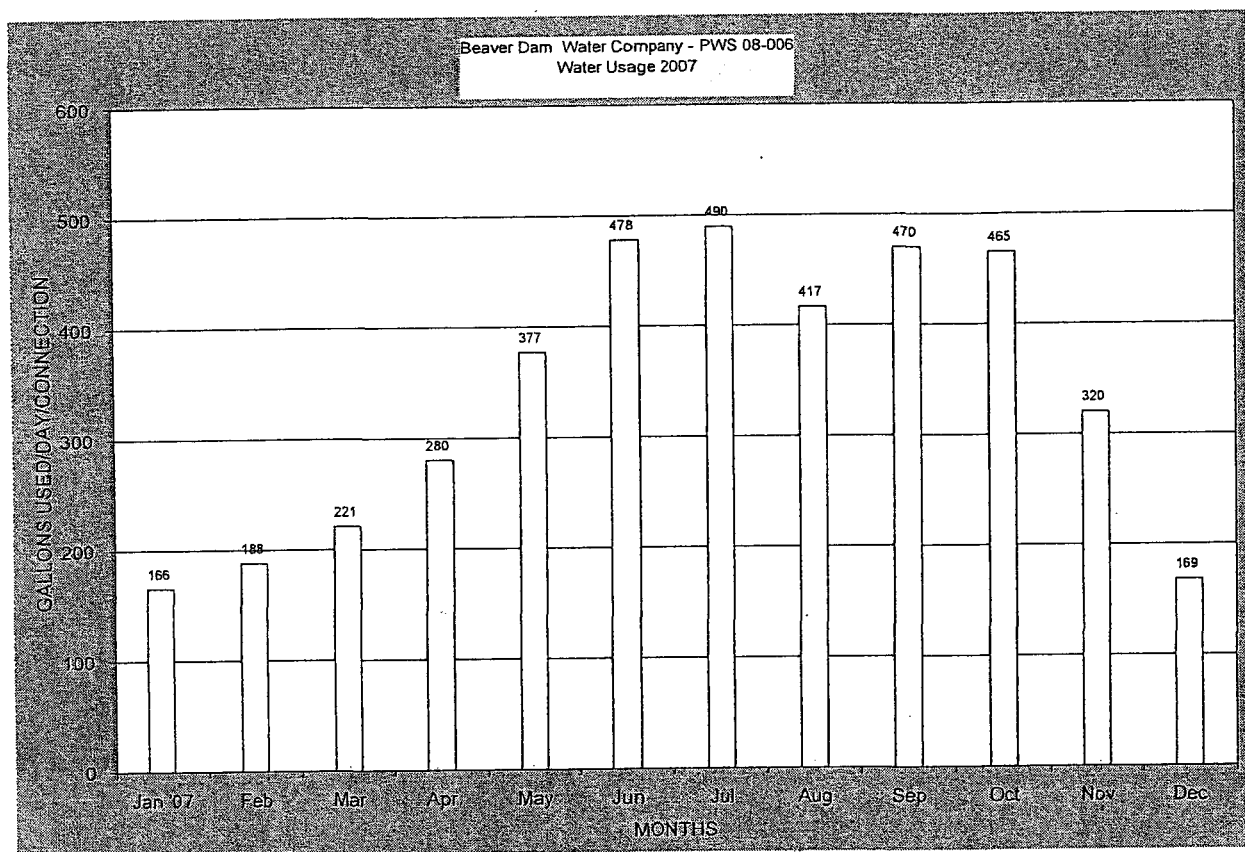
Note: ADEQ's MAP invoice was \$350.23

G. WATER USE

Water Sold

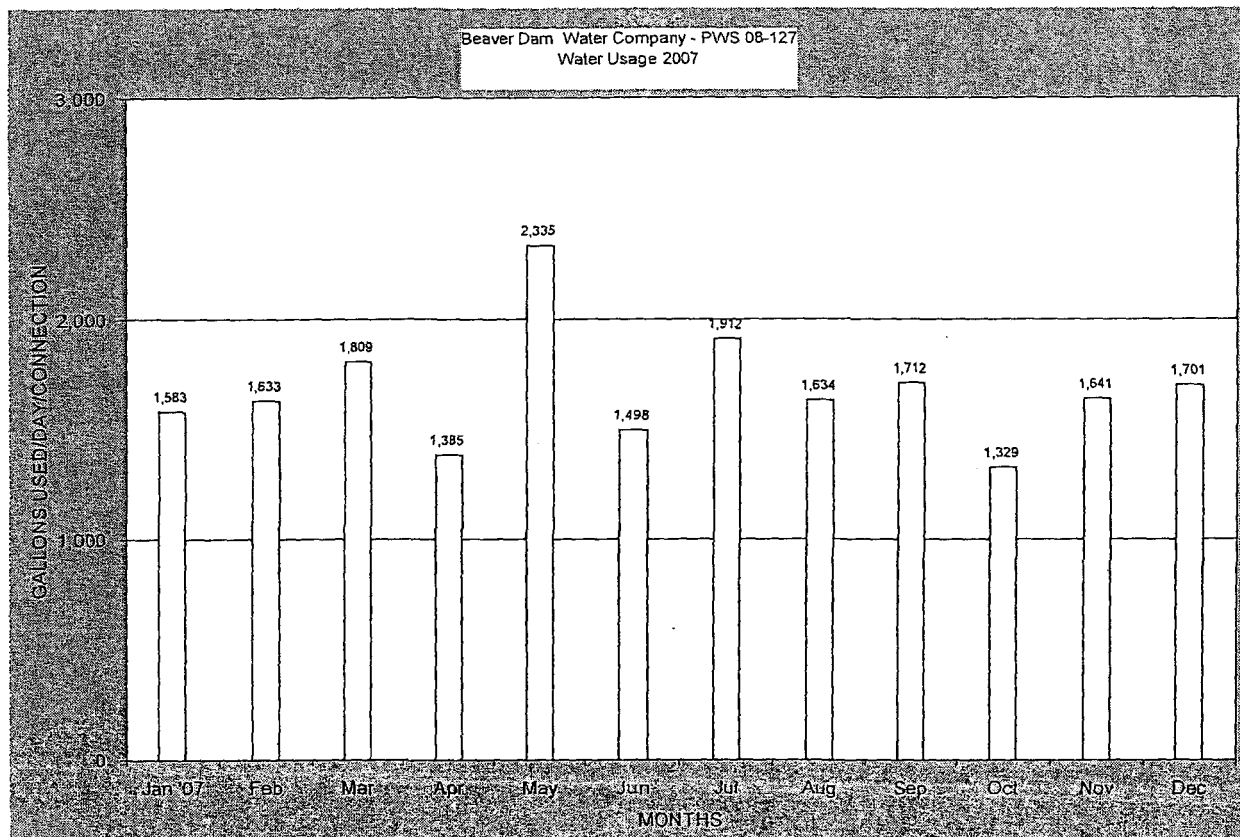
System #1 (PWS #08-006)

Based on the information provided by the Company, water use for the year 2007 is presented below. The high monthly domestic water use was 490 gallons per day ("GPD") per service connection in July and the low monthly domestic water use was 166 GPD per service connection in January. The average annual use was 337 GPD per service connection.



System #2 (PWS #08-127)

Based on the information provided by the Company, water use for the year 2007 is presented below. The high monthly domestic water use was 2,335* GPD per service connection in May and the low monthly domestic water use was 1,329 GPD per service connection in October. The average annual use was 1,681 GPD per service connection.



* Excluding bulk water sold 4,178,200, 4,378,900, and 4,693,000 gallons in March, April, and July respectively.

Non-account Water

System #1 (PWS #08-006)

Non-account water should be 10% or less and never more than 15%. It is important to be able to reconcile the difference between water sold and the water produced by the source. A water balance will allow a water company to identify water and revenue losses due to leakage, theft, and flushing. The Company reported 51,347,000 gallons pumped and 48,819,000 gallons sold, resulting in a water loss of 4.92% for 2007.

System #2 (PWS #08-127)

The Company reported 25,220,900 gallons pumped and 23,545,900 gallons sold, resulting in a water loss of 6.64% for 2007.

H. GROWTH

System #1 (PWS #08-006)

During the test year 2007, the Company had 405 service connections and it is projected that the Company could have approximately 456 service connections by 2012.

System #2 (PWS #08-127)

During the test year 2007, the Company had 38 service connections and it is projected that the Company could have approximately 60 service connections by 2012.

I. DEPRECIATION RATES

Staff recommends that the Company use Staff's depreciation rates by individual National Association of Regulatory Utility Commissioners ("NARUC") category on a going forward bases. Individual depreciation rates by NARUC category are presented in Table B.

Table B. Depreciation Rates

NARUC Acct. No.	Depreciable Plant	Average Service Life (Years)	Annual Accrual Rate (%)
304	Structures & Improvements	30	3.33
305	Collecting & Impounding Reservoirs	40	2.50
306	Lake, River, Canal Intakes	40	2.50
307	Wells & Springs	30	3.33
308	Infiltration Galleries	15	6.67
309	Raw Water Supply Mains	50	2.00
310	Power Generation Equipment	20	5.00
311	Pumping Equipment	8	12.5
320	Water Treatment Equipment		
320.1	Water Treatment Plants	30	3.33
320.2	Solution Chemical Feeders	5	20.0
330	Distribution Reservoirs & Standpipes		
330.1	Storage Tanks	45	2.22
330.2	Pressure Tanks	20	5.00
331	Transmission & Distribution Mains	50	2.00
333	Services	30	3.33

334	Meters	12	8.33
335	Hydrants	50	2.00
336	Backflow Prevention Devices	15	6.67
339	Other Plant & Misc Equipment	15	6.67
340	Office Furniture & Equipment	15	6.67
340.1	Computers & Software	5	20.00
341	Transportation Equipment	5	20.00
342	Stores Equipment	25	4.00
343	Tools, Shop & Garage Equipment	20	5.00
344	Laboratory Equipment	10	10.00
345	Power Operated Equipment	20	5.00
346	Communication Equipment	10	10.00
347	Miscellaneous Equipment	10	10.00
348	Other Tangible Plant	----	----

NOTES:

1. These depreciation rates represent average expected rates. Water companies may experience different rates due to variations in construction, environment, or the physical and chemical characteristics of the water.
2. Acct. 348, Other Tangible Plant may vary from 5% to 50%. The depreciation rate would be set in accordance with the specific capital items in this account.

J. CURTAILMENT PLAN TARIFF

The Company has an approved Curtailment Plan Tariff on file with the Commission.

K. METER AND SERVICE LINE INSTALLATION CHARGES

The Company has requested changes in its service line and meter installation charges. These charges are refundable advances and the Company's proposed charges are below Staff's recommended range for these charges. Since the Company may at times install meters on existing service lines, it would be appropriate for some customers to only be charged for the meter installation. Therefore, separate service line and meter charges have been developed by Staff. Staff recommends that the charges listed under "Staff's Recommendation" in Table C be adopted.

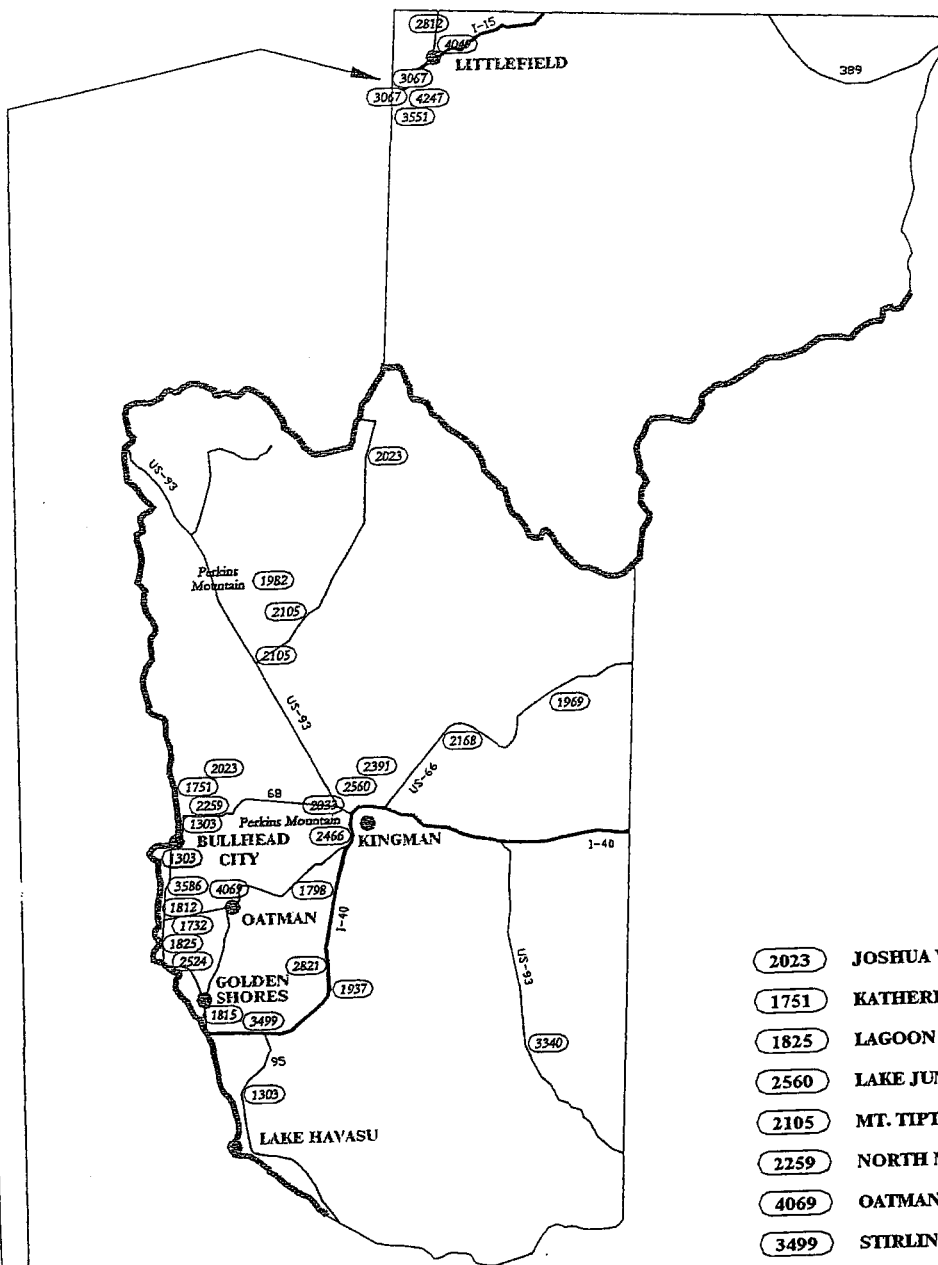
Table C. Service Line and Meter Installation Charges

Meter Sizes	Current Charges	Company Proposed Charges	Staff recommended Service Line Charges	Staff recommended * Meter Charges	Staff recommended Total Charges
5/8" x 3/4"	225	580	425	155	580

3/4"	No Tariff	No Tariff	445	255	700
1"	No Tariff	700	445	255	700
1-1/2"	No Tariff	880	460	420	880
2" - Turbine	No Tariff	1,380	615	765	1,380
2" - Compound	No Tariff	1,460	615	845	1,460
3" - Turbine	No Tariff	1,930	745	1185	1,930
3" - Compound	No Tariff	2,010	745	1,265	2,010
4" - Turbine	1,375	2,935	1,050	1,885	2,935
4" - Compound	No Tariff	3,020	1,050	1,970	3,020
6" - Turbine	2,900	4,120	1,250	2,870	4,120
6" - Compound	No Tariff	5,960	1,250	4,710	5,960
8" - Turbine	4,500	6,775	At Cost	At Cost	At Cost
10" - Turbine	No Tariff	12,150	At Cost	At Cost	At Cost
12" - Turbine	No Tariff	16,800	At Cost	At Cost	At Cost

*Note: Meter charge includes meter box or vault.

MOHAVE COUNTY



- 1303 ARIZONA-AMERICAN WATER COMPANY
- 3067 BEAVER DAM WATER COMPANY, INC.
- 1812 BERMUDA WATER COMPANY, INC.
- 2812 BIASI WATER COMPANY, INC.
- 2391 CERBAT WATER COMPANY
- 2821 DOUBLE R WATER DISTRIBUTORS, INC.
- 4049 DS WATER COMPANY
- 2524 FORT MOHAVE INDIAN TRIBE
- 1815 GOLDEN SHORES WATER COMPANY, INC.
- 1969 HATCH VALLEY WATER COMPANY

- 2023 JOSHUA VALLEY UTILITY COMPANY
- 1751 KATHERINE RESORT WATER COMPANY
- 1825 LAGOON ESTATES WATER COMPANY, INC.
- 2560 LAKE JUNIPER WATER COMPANY, INC.
- 2105 MT. TIPTON WATER COMPANY, INC.
- 2259 NORTH MOHAVE VALLEY CORPORATION
- 4069 OATMAN WATER COMPANY, LLC
- 3499 STIRLING WATER COMPANY
- 4247 SUNRISE UTILITIES, LLC
- 3586 SUNRISE VISTAS UTILITIES COMPANY
- 1798 SUNSET WATER COMPANY
- 2168 TRUXTON CANYON WATER COMPANY, INC.
- 2033 VALLEY PIONEER'S WATER COMPANY, INC.
- 3551 VIRGIN MOUNTAIN UTILITIES COMPANY
- 2466 WALNUT CREEK WATER COMPANY, INC.
- 1982 WHITE HILLS WATER COMPANY, INC.
- 1732 WILLOW VALLEY WATER COMPANY, INC.
- 3340 WOODY'S ENTERPRISES, LTD
- 1937 YUCCA WATER ASSOCIATION, INC.

Figure 1: Mohave County Map

MOHAVE COUNTY

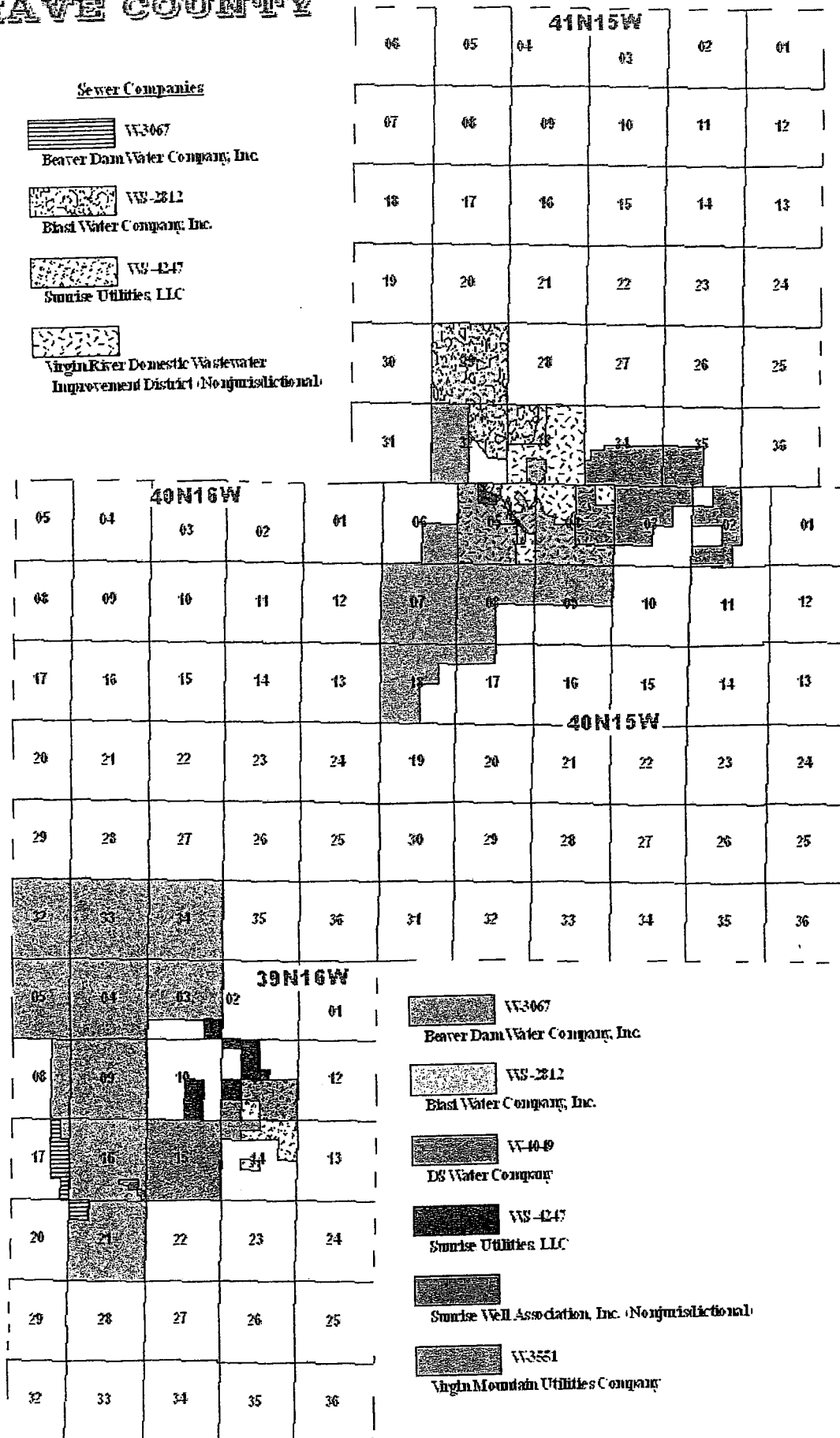


Figure 2: Certificated Area

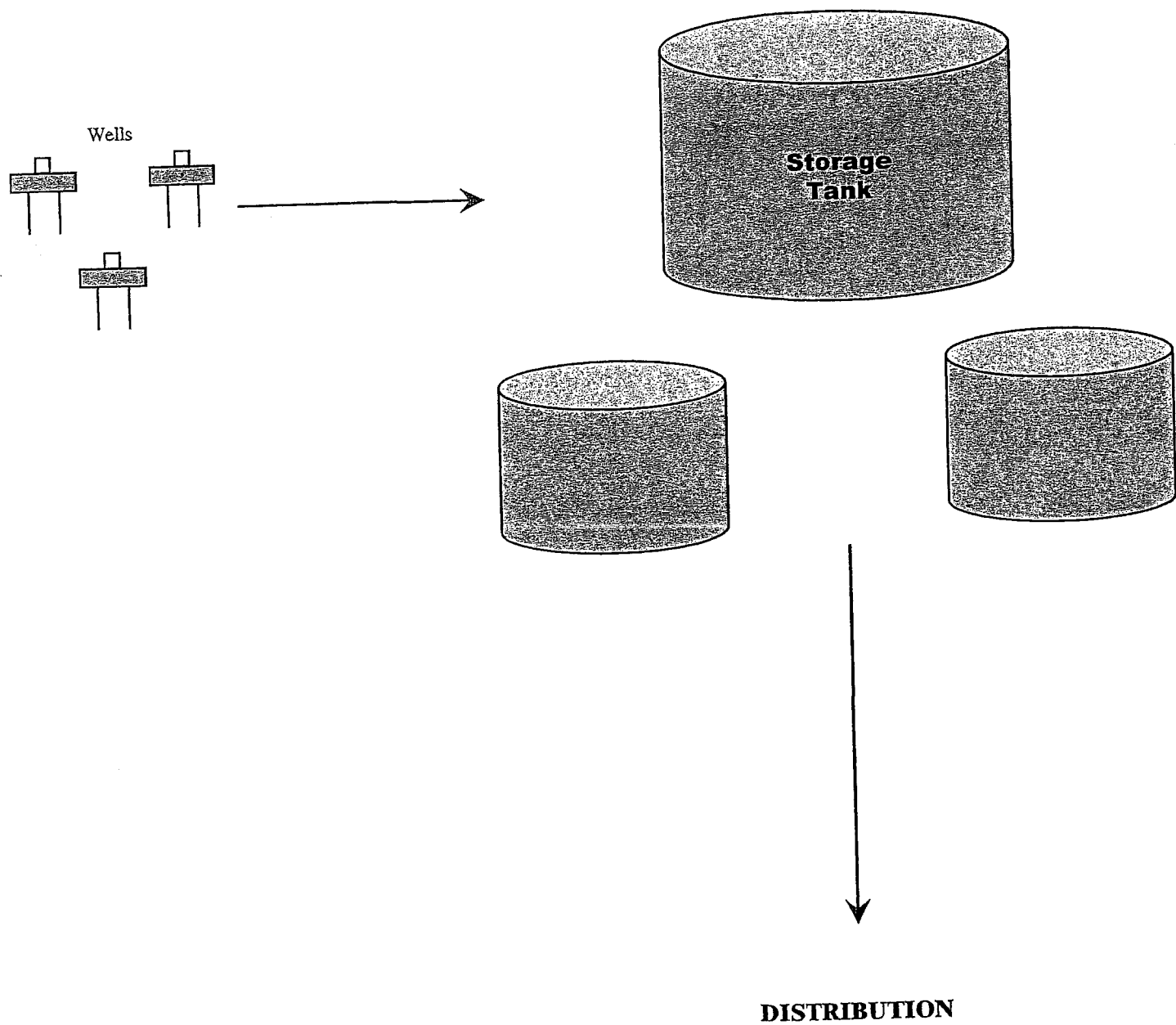


Figure 3. System #1: Process Schematic

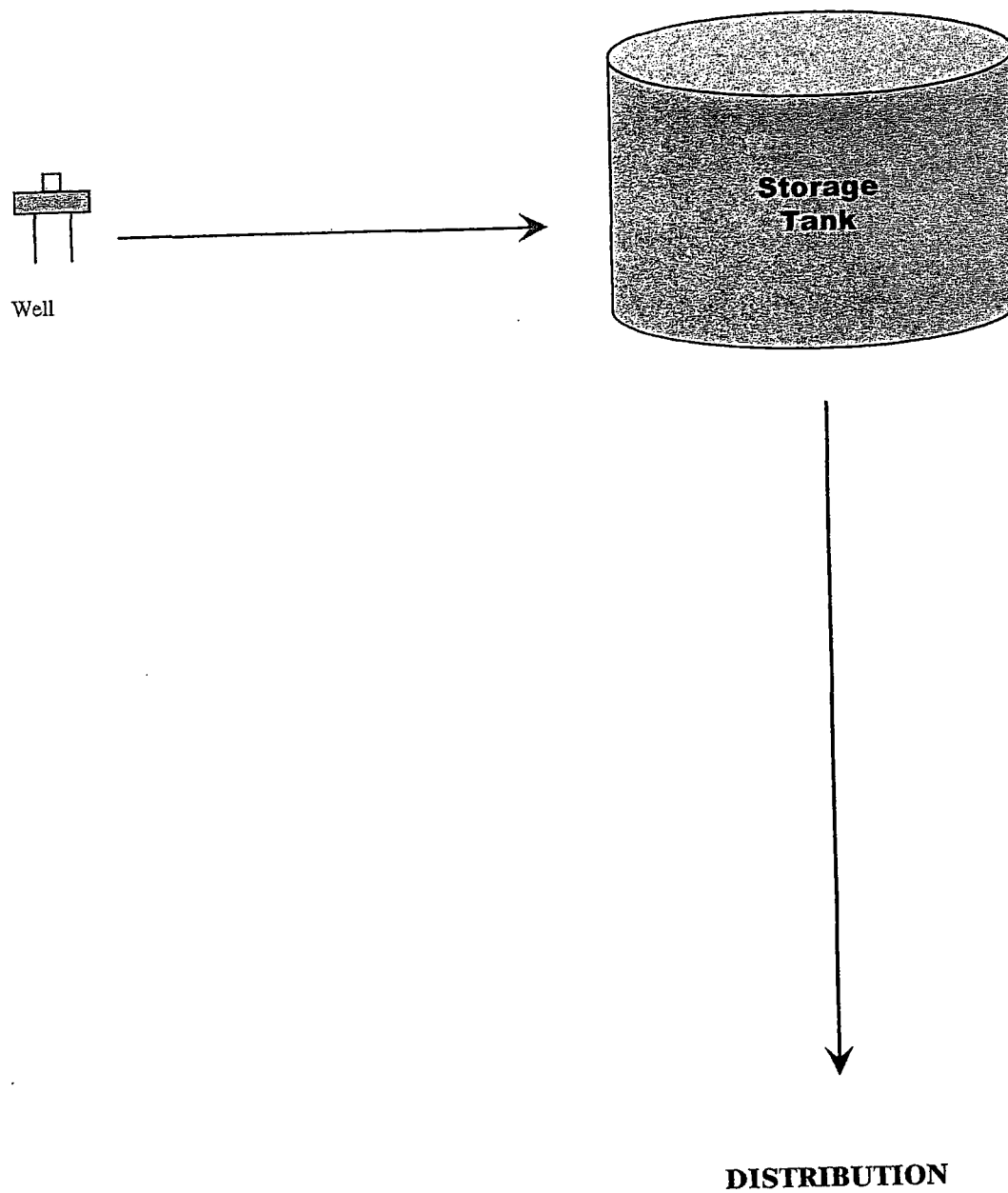
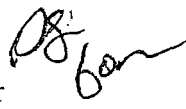


Figure 4. System #2: Process Schematic

MEMORANDUM

DATE: March 23, 2009

TO: Brendan Aladi
Public Utilities Analyst III
Utilities Division

FROM: Jian W. Liu 
Utilities Engineer
Utilities Division

RE: Beaver Dam Water Company, Inc.
Docket No. W-03067A-08-0266 (Financing)

Introduction

Beaver Dam Water Company, Inc. ("Beaver Dam" or "the Company") has been operating a Certificate of Convenience and Necessity ("CC&N") for water service since 1988. The Company's existing CC&N for water has an area totaling approximately 14 square miles. The Beaver Dam water system currently is serving approximately 443 connections. The Company is located in the extreme northwest corner of the state in Mohave County.

Financing Application

On May 27, 2008, the Company filed a finance application with the Arizona Corporation Commission ("Commission"). Beaver Dam's financing application is requesting approval for a Water Infrastructure Finance Authority ("WIFA") loan in the amount of \$104,283 to fund approximately 50% of Company's estimated cost to add storage capacity of 275,000 gallons. The remaining 50% of the cost will be financed by a line extension agreement (approximately 38%) and capital investment by Beaver Dam (approximately 12%).

Engineering Analysis

Based on recent water use data coupled with the 38 service connections the company was serving during the test year 2007, Beaver Dam's System #2 (PWS #08-127) needs a minimum 170,000 gallons of additional storage. According to the Company the 275,000 gallons of additional storage capacity is needed for emergency backup and fire protection.

Since the Company projects that Water System #2 (PWS #08-127) could have approximately 60 service connections by 2012, Staff concludes that the proposed 275,000 gallons of additional storage capacity is appropriate.

Cost Analysis

The Company's estimated cost is \$104,283 to fund approximately 50% of the cost to add storage capacity of 275,000 gallons.

Staff has reviewed the Company's estimates and concludes that it is reasonable. However, no "used and useful" determination of the proposed plant was made, and no particular future treatment should be inferred for rate making or rate base purposes.

Compliance

Arizona Department of Environmental Quality ("ADEQ") Compliance

ADEQ reported that the Beaver Dam drinking water systems are in compliance with regulatory agency requirements and are currently delivering water that meets State and Federal drinking water quality standards required by the Arizona Administrative Code, Title 18, Chapter 4. (ADEQ report dated 08/25/08).

Commission Compliance

A check with the Utilities Division Compliance Section showed 2 outstanding Compliance items as follows (ACC Compliance Section Email dated 3/13/09).

In Decision No. 69243, the Company was granted an extension of its CC&N and ordered to file a copy of the Approval to Construct for the water facilities needed to service the extension area as described in this Decision by January 19, 2009. In the event the Company did not timely comply with the above condition, the subject Order Preliminary would be deemed null and void. In such event, staff was to file a memorandum to close the docket.

In the same Decision, the Company was also ordered to file a copy of the developer's Letter of Adequate Water Supply or a Physical Availability Determination for the extension area by January 19, 2009. In the event the Company did not timely comply with this condition, the subject Order Preliminary would be deemed null and void. In such event, staff was to file a memorandum to close the docket.

Beaver Dam has not been able to provide the above mentioned Compliance items. Therefore, Staff has filed for Administrative Closure of Docket #W-03067A-06-0117. This action is tentatively scheduled for Commission deliberation at the Regular Open Meeting on March 31, 2009.

Conclusion

Staff concludes that the plant additions and their associated costs are reasonable and appropriate. However, no "used and useful" determination of the proposed plant was made, and no particular future treatment should be inferred for rate making or rate base purposes.